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Doors,
Watch

EC Monetary Union: A Strong German Imprint

By Leigh Bruce
International Herald Tribune

LONDON—The European Community's new timetable for economic and monetary union bears a strong German imprint, reflecting the other countries' acceptance of the need for German standards of monetary stability and discipline, analysts and officials around Europe said Monday.

It was that recognition from the other governments, minus Britain, that made it possible for Bonn to agree that more decisions should be made at the EC level, rather than by national governments, as the move to economic and monetary union progressed, the analysts said.

made the strongest commitment yet that the shape of EC economic, monetary and political union will be based on tough German conditions, not on the easiest achievable compromise.

"The single currency will be as strong as the mark," said a senior EC official, "and the central bank will be just like the Bundesbank, except that decisions will be shared by officials representing all 12 member states."

But the analysts and officials said the move was not a defeat for Bonn's EC partners, with the exception of Mrs. Thatcher, who bitterly criticized the decisions made at the meeting.

"There is no question that the global conception of EMU is inspired by German ideas," the EC official said. "Clearly there wouldn't be monetary union if that were not the case."

"But," he added, "do not think anybody would accept the German example if it had not demonstrated its fundamental soundness for many years."

He and others pointed out that Germany's agreement to a specific timetable for economic and monetary union represented an extraordinary step toward sharing economic power. That step included abandoning the Deutsche mark in favor of the European Currency Unit, to be run by a joint monetary authority, sometime at the end of the decade.

"I have absolutely no doubt whatsoever that Germany is fully committed to the unification of Europe, both politically and economically," said Stefan Collignon, the German director of research at the Association for the Monetary Union of Europe, who has extensive and frequent contacts with German monetary and political officials.

"What is happening," he said, "is that Germany is

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NEWS ANALYSIS

Baker Warns of Force, Calling Iraqi Policy 'Prescription for War'

Compiled by Our Staff From Dispatches

LOS ANGELES—Secretary of State James A. Baker 3d, in the most explicit warning to date that the United States would use force if necessary to end the occupation of Kuwait, said Monday that Iraq's policy in the Gulf was a "prescription for war."

Mr. Baker said that although the United States was exhausting every diplomatic avenue to achieve a peaceful solution, no option had been excluded.

"Let no one doubt," he said, "that we will not rule out a possible use of force if Iraq continues to occupy Kuwait."

He added: "Saddam Hussein's way is not the way of peace. His is a prescription for war. And I will say this bluntly: If his way of doing business prevails, there will be no hope of peace in the area."

President George Bush, answering questions during a campaign visit to California, said: "History is replete with examples when the president would have to take action. I've done this in the past, and certainly — somebody mentioned provocations — we'd have no hesitation at all."

Asked if he was trying to prepare the country for war, Mr. Baker said: "I'm just doing my job as president of the United States. I'm not preparing anybody for anything."

Mr. Baker said Iraq would suffer "the most severe consequences" if President Saddam Hussein decided to use chemical or biological weapons.

His remarks were prepared for delivery to the Los Angeles World Affairs Council.

He said U.S. military forces had been sent to the Gulf region to provide an "effective and decisive military response" if the situation warranted it.

"Saddam Hussein must realize there is a limit to the international community's patience," Mr. Baker said. "He must also realize that should he use chemical or biological weapons, there will be the most severe consequences."

The secretary of state also said conflicts in the Middle East had profound consequences far beyond that region.

"There can be no hope of resolving other problems in the region unless peaceful change becomes the wave of the future in the Middle East and the Gulf," he said.

Later this week, Mr. Baker is to begin a trip to Saudi Arabia and several other Gulf countries. He will also be stopping in several European capitals to strengthen the international coalition aligned against Mr. Hussein.

According to State Department officials, Mr. Baker is to discuss tightening the embargo against

Iraq and raising more money for such frontline states as Turkey and Jordan, which have become economic victims of the Iraqi sanctions.

According to diplomats, Mr. Baker will also seek to make sure that Mr. Bush has the necessary flexibility to use U.S. troops based in Saudi Arabia in an attack against Iraq if that should become necessary.

In the speech Monday, Mr. Baker suggested that Mr. Hussein was the main problem and that even if the Iraqi leader should comply with United Nations resolutions to withdraw from Kuwait, he would retain his war-making potential, which includes chemical and biological weapons.

"While the international community tries to build on the successful ending of the Cold War," Mr. Baker said, "Saddam Hussein seems hell-bent on a revival of hot

war. He marries his old-style contempt for civilized rules with modern destructive methods: chemical and biological weapons, and, if he could, nuclear weapons."

Mr. Baker suggested that Mr. Hussein would remain a world problem who must be removed even if he did withdraw from Kuwait.

"Why has he turned Baghdad into a haven for international terrorists?" he asked. "Surely not because he expects this aggression — first against Iran, now against Kuwait — to be his last."

Mr. Bush said he saw no evidence that recent Soviet consultations with Iraq had been productive. "I haven't seen anything to convince me there's anything positive in it," he said of the Sunday meeting between Mr. Hussein and a Soviet envoy, Yevgeni M. Primakov.

(AP, UPI, NYT, Reuters)

Gorbachev Urges Arab Peace Effort

By William Drozdiak

Washington Post Service

PARIS—President Mikhail S. Gorbachev said Monday that the time had come for a new Arab peace initiative to resolve the Gulf crisis because, under the pressure of global trade sanctions, "some signs are emerging that Iraq's leadership may be heading the will of the United Nations."

The Soviet leader said he learned, in an early-morning telephone call from his Middle East envoy, that "some new reflections have taken place" and that President Saddam Hussein's "position is no longer the same which he held some time ago."

The envoy, Yevgeni M. Primakov, flew to Saudi Arabia on Monday after two meetings with the Iraqi president.

Mr. Gorbachev, speaking to reporters with President François Mitterrand at the Château de Rambouillet west of Paris after the two leaders signed a treaty to enhance political and economic cooperation, did not spell out what changes might have occurred and noted that some contacts remained secret.

But he emphasized, with Mr. Mitterrand's concurrence, that the Iraqis might be ready for inter-

Arab talks, possibly under Saudi Arabian sponsorship, which he said "could be the quickest way to a settlement."

Demonstrating Soviet allegiance to the disparate alliance of nations backing the UN resolutions that condemn Iraq's occupation of Kuwait, Mr. Gorbachev warned Mr. Hussein that he was "building his policy on a mistake" if he believed he could split the world community against him. "We must not permit the Iraqi regime to hope or believe there will ever be any disharmony or weakening of decisions," he said.

Although characterizing military options as "unacceptable," Mr. Gorbachev, this year's Nobel Peace Prize laureate, said sanctions might have to be stepped up to persuade the Iraqi leader that he had no choice but to abide by UN resolutions demanding a complete withdrawal of Iraqi troops and the release of all foreign hostages.

More than 3,000 Soviet citizens are still in Iraq, and Mr. Gorbachev said it was "unusual to use the hostages for political ends."

Mr. Gorbachev said Mr. Primakov's mission was not a solitary diplomatic action but "an organic part" of many common efforts, "some of which are known and some of which are secret."

He would not elaborate on what

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Presidents Mikhail S. Gorbachev, left, and François Mitterrand, answering questions at a briefing after they signed a treaty of cooperation Monday near Paris. Page 2.

UN Resolution Holds Iraq Liable for Abuses in Gulf

Compiled by Our Staff From Dispatches

UNITED NATIONS, New York—The Security Council voted overwhelmingly Monday to hold Iraq liable for human rights abuses, war damages and economic losses resulting from its invasion of Kuwait.

The resolution also demanded that Baghdad allow food, water and other supplies to be sent into the Western diplomatic missions in Kuwait, which are besieged by Iraqi security forces.

Thirteen nations voted for the resolution, the 10th since the

Aug. 2 invasion. Cuba and Yemen abstained.

The resolution encouraged Secretary-General Javier Pérez de Cuellar to undertake diplomatic efforts for a peaceful solution to the crisis.

Colombia, Cuba, Malaysia and Yemen, citing a drift toward war, had drafted a separate "peace resolution," parts of which were merged into a document drawn up mainly by Britain and the United States.

In previous resolutions, the 15-member council has imposed a

trade embargo against Iraq, enforced by an air and sea blockade, and demanded that Iraq withdraw from Kuwait and release all hostages.

The council's president, Sir David Hannay of Britain, said the new resolution was "partially designed to provide a firm response to the latest in the long series of illegal actions of Iraq."

Abdul Amir Anbari of Iraq said that "this iniquitous resolution will make it possible for those who advocate war, combat and aggression to explicitly say that they have ex-

hausted all attempts to achieve peace, and that they have failed, and that the war option is the only option left."

He accused the United States and Israel of conniving at preparing "aggression" against Iraq.

Monday's resolution invited nations, companies and individuals to document damages and economic losses for the council, but it did not establish a system for making claims against Baghdad.

The council also demanded that Iraq stop taking hostages and "mis-

treating and oppressing Kuwaiti and third-state nationals."

It moved toward establishing Iraq's responsibility for war crimes, asking nations to collect and submit to the council information on serious abuses of civilians contrary to the Fourth Geneva Convention of 1949.

The convention, which Iraq signed, protects the rights of civilians in wartime or in military-occupied territory.

The convention outlaws sum-

See UN, Page 7

Kiosk

Pakistan Vote: French Doubts

ISLAMABAD, Pakistan (Reuters)—A French legal team sent to observe Pakistan's elections has backed former Prime Minister Benazir Bhutto's assertions of vote-rigging, a French diplomat said Monday.

The team, sent by the International League of Human Rights, says it believes rigging took place after votes were counted at polling stations and before they were sent to district election officials, the diplomat based in Islamabad said.

Their report, to be issued Tuesday, said fraud appeared partly responsible for the Islamic Democratic Alliance's getting twice as many National Assembly seats as the Pakistan People's Party with virtually the same share of the vote.

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General News

Uttar Pradesh was sealed off to keep Hindus away from an Indian mosque. Page 2.

Pakistan threatened to stop paying interest on U.S. loans over cutoffs in aid. Page 2.

The new U.S. tax code hits two-income professional families the hardest. Page 3.

Business/Finance

World oil prices are facing huge losses because of higher fuel prices. Page 9.

Merrill Lynch & Co. announced a sweeping reorganization. Page 9.

Crossword

Page 8.

Dow Jones Industrial Average

2,430.20

Down 5.94

DM 1.5223

Pound 1.949

Yen 128.70

FF 5.0955

Federal Reserve Cuts Key U.S. Interest Rate

Compiled by Our Staff From Dispatches

NEW YORK—The U.S. Federal Reserve on Monday lowered a key lending rate in what economists said was a clear, if restrained, sign of an easing of credit policy.

The move was generally expected to be bullish for the dollar because, by reducing the interest rate paid on investments denominated in the U.S. currency, it makes such investments less attractive. But the dollar nonetheless was stronger in New York trading (Page 10).

The Fed, which is the U.S. central bank, said it pumped \$1 billion into the banking system Monday to push the overnight bank-lending rate down to 7 1/2 percent. The rate, known as the federal funds rate, had been around 8 percent.

"We regard this as a definitive signal that they eased," said William V. Sullivan of Dean Witter Reynolds Inc.

The Fed had indicated that short-term rates would come down if a credible U.S. budget pact was reached. Congress approved a

package Saturday to save \$500 billion over the next five years.

The Fed has been under pressure from the White House and U.S. business for some time to lower interest rates, thus stimulating the flagging U.S. economy with easier credit, in a bid to help avert a recession. The U.S. central bank had not lowered interest rates since July 13.

Nonetheless, economists described the quarter-point drop in interest rates as a modest move. The Fed was thought to be reluctant to ease too much for fear of feeding inflation.

The Fed "wanted to convey that precise message—it's a response to the budget legislation and they're doing just 25 basis points," said Samuel Kalish, chief economist of Fuji Securities Inc. in Chicago.

There is no smoking gun, no canon, no fireworks with this announcement," he added. "It is more of a whisper, like everything else now."

(Reuters, UPI)

Downtime in the European Computer Industry

Washington Post Service

PARIS—The European computer industry, touted in recent years as a dynamic symbol of the Old World's economic renaissance, is rapidly succumbing to the pressure of a looming economic slowdown and the aggressive designs of American and Japanese computer giants.

A growing list of prominent companies reporting huge losses and layoffs has shaken European business and government leaders. They fear that some of the Continent's flagship electronics companies may not be able to cope with powerful foreign competitors when the 12-nation European Community abolishes the last barriers to a single market after 1992.

The desperate plight of many European computer companies also is affecting strategies in what analysts call perhaps the next major battleground between the United States and Japan.

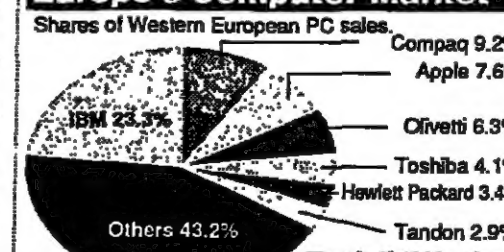
International Business Machines Corp., the world leader, has already established itself as the dominant presence in the European computer market, with \$3.1 billion in 1989 sales. The weakness displayed by local European companies may offer it new opportunities to expand sales.

"IBM should get stronger because it is used to working in a large market and can exploit the Community better than any other firm," said Richard Bradshaw, the National Science Foundation's senior analyst for European affairs.

But Japanese computer makers have positioned themselves for a major assault on the European market by buying up struggling computer concerns in Britain. Fujitsu Ltd. has acquired an 80 percent stake in International Computers Ltd., and Mitsubishi Corp. has taken over Apricot Computers PLC.

Europe's Computer Market

Shares of Western European PC sales.



First-half 1990 sales: \$12.65 billion

1989 Sales of Mainframes and Minicomputers

In Europe by country of origin



Net: Market share figures are based on sales to end-users and do not reflect original equipment manufacturer and technology agreements.

Sources: International Data Corp., Dataquest Europe

Those moves should give Japan a foothold in European research and development programs, setting the stage for a challenge to IBM, Digital Equipment Corp. and other American computer firms for a larger slice of the European market. Last year, that market totaled \$27.8 billion in sales, and it remains one of the world's most lucrative markets even if it is expected to shrink a bit as the European economy slows down.

Most top European computer makers have been forced to undertake radical restructuring drives in recent months. Philips NV of the Netherlands, saying it would lose \$1 billion this year, is seeking to reduce costs by reducing its work force by 16 percent, eliminating 45,000 jobs, closing several plants and pulling out of the advanced memory chip market. Groupe Bull SA, the major French computer maker, reported a loss of \$331 million for the first six months of 1990 and said it would slash 3,000 jobs. The Italian concern Ing. C. Olivetti & Co. also said that it would abolish thousands of jobs in a restructuring drive.

The threat of being overwhelmed by American and Japanese computer makers may soon spur European governments to find ways to preserve the competitive position of European companies. "I think it will be some time before we see a truly level playing field in Europe," Mr. Bradshaw said. "The Community will work with national governments to create breakthroughs so that leading European firms do not go under."

The sudden erosion of European electronics companies came after years of intensive efforts to increase trans-

See COMPUTE, Page 2

Prisoner of the White House Staff? That Wasn't Supposed to Happen

By Maureen Dowd

New York Times Service

HONOLULU—There was one thing that was never supposed to happen to George Bush: He was never supposed to become a prisoner of his presidential staff and the information and strategy they funneled to him.

Watching in horror as the White House has alienated major segments of the Republican Party, squandering the issues that were supposed to make it the majority party, many close associates have already told the president—or are planning to tell him—that he would be well advised to restructure the White House staff after the Nov. 6 elections.

Ronald Reagan was the passive and isolated president, waiting to be given his script for the day. But the effervescent Mr. Bush has prided himself on his ability to keep in touch with all kinds of people—bounding around to different offices in

the West Wing of the White House, writing his famous notes, dialing around the city and the world.

But more and more, there are private conversations among White House officials, Republican strategists and Bush intimates about how to convince the president that he has become too isolated and too dependent on his chief of staff, John H. Sununu.

"Sununu is an enormously intelligent man, but as smart as he is, he cannot spread himself over as many issues as he has," said a close friend and adviser to the president, adding, "He's trying to do it all by himself, and it's caught up with him, as everyone thought it would and hoped it wouldn't."

Some administration officials are increasingly upset over what they see as Mr. Sununu's less-than-delicate manipulation of events. They cite what happened after Republican senators met

with Mr. Bush while the White House was trying to resurrect some semblance of the failed budget agreement.

When the senators told Mr. Bush that they opposed any increase in the tax rate for the wealthy, Mr. Sununu reportedly instructed the White House press secretary, Marlin Fitzwater, to tell journalists that the president had acquiesced in the senators' demand.

That may have been Mr. Sununu's way of steering Mr. Bush in the direction he felt was best. But when the president made it clear the next day that he had merely been listening to the senators, and that he still considered everything "on the table," Mr. Bush was made to appear confused and indecisive.

During the weekend, while in Hawaii for a meeting with Pacific island leaders and to campaign for Representative Patricia Sisk, who is

running for the Senate, Mr. Bush was asked if he was relieved to put the budget debate behind him.

"That's for sure," he replied amiably. "It's been about a year I've been trying to do that."

Despite this typically chipper response, friends say Mr. Bush has been furious over the last two weeks at finding himself in this damaging domestic imbroglio. More than anything else in his presidency, they say, he loved his high poll ratings and positive image in the press.

But the image that Mr. Bush enjoyed for his first 20 months as president—popular, accessible, competent—has evaporated for the moment at least, in the confusion of the budget debacle.

Words like "wimp," "expedient" and "indecisive" have come back, and unexpected ones like "distant" and "out of touch" are being used.

Mr. Bush has privately conceded to friends that Mr. Sununu and Richard G. Darman, the budget

director who has resigned over domestic policy with the chief of staff, have not turned in the most polished performances recently.

His anger, however, has so far been directed at House Republicans, who he feels betrayed him on the budget for self-serving interests, and at Edward Rollins, the head of the National Republican Congressional Committee, who advised Republican candidates who opposed the president on the budget to run against him if necessary.

Republican strategists pronounce themselves astonished by the way Mr. Sununu and his aides have sent Mr. Bush on the road to campaign for Republican candidates who openly distance themselves, and by the White House's refusal to recognize that the president does not have a viable message to help these candidates.

"Republicans are bristling with anger at the

See BUSH, Page 7

11-11-68

U.S. Tax: Double Income May Mean Heavy Blow

By Jan M. Rosen
New York Times Service

NEW YORK — In its search for an additional \$40 billion to throw at the federal deficit, Congress approved a three-pronged attack on the tax code. The intent was to get that money from the upper- and upper-middle classes through higher taxes for Medicare, a variety of income tax changes, and additional excise taxes for gasoline, tobacco, alcohol and some luxury goods.

The majority of taxpayers, those with incomes below \$50,000, should be relatively unscathed — their Social Security and income taxes will not rise.

The working poor will even get money from the government through the earned income tax credit. But like everyone else who buys gasoline, alcohol or tobacco, they will pay higher excise taxes.

Every employed person who earns more than \$51,300 will pay higher taxes for the Medicare portion of Social Security — 1.45 percent on every additional dollar earned up to \$125,000. That is a flat tax, with no exemptions or deductions.

Hardest hit, according to Thomas P. Ochenschlager, a partner in Grant Thornton's offices of federal tax services in Washington, will be two-income professional families.

For example, both husband and wife are partners in a law firm. They earn \$125,000 each. As self-employed people, they owe both the employee's and employer's share of Social Security tax, so together they will pay an additional \$4,275 for Medicare taxes next year. (Medicare provides health insurance for elderly and disabled Americans.)

A family supported by an executive whose salary is \$125,000 will pay an additional \$1,069. This tax is not collected on unearned income like interest and dividends.

The new tax rules are more complex, but people who make the effort to understand them may be able to ease their bite. They will need to project their income and deductions for 1990 and 1991, and see if they can make some shifts that work to their advantage.

The most affluent taxpayers — roughly, single people with taxable income above \$100,000 and families with upward of \$200,000 — are now taxed at a flat 28 percent. Next year, they will have a portion of their income taxed at 31 percent, as will those with income a notch below who now pay a 5 percent surcharge on part of their income.

The reason for the surcharge, imposed by the Tax Reform Act of 1986, was to phase out the benefit of the lowest 15

percent bracket as taxpayers got more income, until their overall, or effective, tax rate, was 28 percent. But one result was what became known as the "bubble" — part of their income is taxed at 33 percent.

Thus, a widow who earns \$90,000 and sold stock to pay her son's college tuition, incurring a capital gain of \$10,000, could currently be taxed at 33 percent on the gain.

A baseball player who was paid \$1 million and sold stock to buy an expensive automobile, incurring a capital gain of \$100,000, would be taxed at 28 percent.

To correct this, the new tax law returns to a progressive rate structure: 15 percent, 28 percent and 31 percent. Amounts taxable at each level depend on the taxpayer's filing status.

William J. Goldberg, national director of personal financial services for KPMG Peat Marwick in Houston, said: "If your rate is going down, defer income until next year and take itemized deductions this year. It's the opposite if you are above the bubble."

But he cautioned that those rules of thumb may not apply in some cases, because new phaseouts of deductions and exemptions for upper-income taxpayers will counter tax savings achieved by deferring income.

Taxpayers' itemized deductions are to be

reduced by an amount equal to 3 percent of adjusted gross income above \$100,000, regardless of filing status. For the family with \$200,000 of income, \$3,000 will be sliced off itemized deductions, regardless of their size. The value of personal exemptions is also to be reduced for those with large adjusted gross incomes.

Given the complications, individual calculations must be made to determine a taxpayer's strategy, experts say.

Byrle M. Abbin, managing director of Arthur Andersen & Co.'s office of federal tax services in Washington, said: "There's nothing intuitive about it. It's number-driven."

Several factors can affect tax strategy:

- Such adjustments to income as contributions to retirement plans or alimony.
- Whether the income was earned from work as an employee or from self-employment, or whether it was unearned income from investments.

- How many personal exemptions a person has for dependents.

- How big the itemized deductions are for such things as mortgage interest, state and local taxes, and charitable contributions.

A taxpayer also needs to know whether he is subject to the alternative minimum tax, which ensures that no one with a sizable income escapes the tax bite.

Editorial Staff Of Daily News To Stay on Strike

The Associated Press

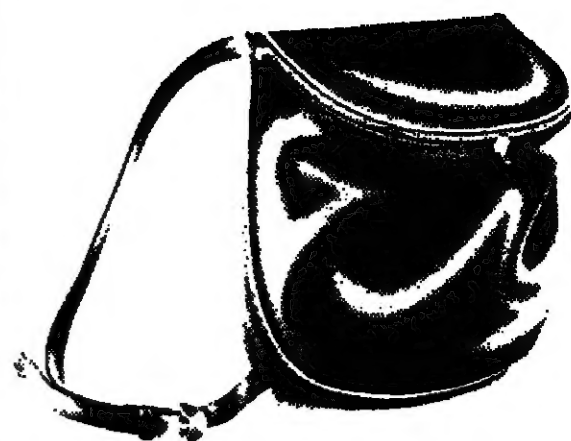
NEW YORK — Averting a major split among newsroom employees of The Daily News, a group of reporters and photographers decided Monday to remain on strike rather than accept an offer to cross picket lines and reclaim their jobs.

The News, hit by a walkout last week by nine of its 10 unions, had said that striking workers were welcome to return to their old jobs at any time as long as permanent replacements had not been hired.

A group of 40 reporters and photographers belonging to the 730-member Newspaper Guild sent a delegation to discuss the matter Sunday with the Guild's president, Barry Lipton. But after the meeting, the group decided to stay on strike. No new talks are scheduled.

The Daily News has published a paper each day since the strike began Thursday night but conceded that it was having trouble delivering the paper.

The paper has been in a financial tailspin for the last decade. The News has had losses of \$115 million and seen daily circulation slip by about 700,000 since 1980.



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Pen Poised, Bush Awaits New Immigration Bill

By Robert Pear
New York Times Service

WASHINGTON — Congress has sent its major revision of U.S. immigration law to President George Bush, who is eager to sign it, White House officials said.

Mr. Bush's principal domestic policy adviser, Roger B. Porter, said the administration strongly supported the compromise legislation because it would help relieve labor shortages in the United States and would contribute to economic growth in the 1990s.

The bill will increase legal immigration to the United States by more than 35 percent. Its most notable feature is that it requires the State Department to admit more immigrants with job skills needed in the United States, a step long favored by market economists.

The number of visas granted on the basis of skills, to workers and their relatives, will more than double, to 140,000 a year from 54,000.

But the increase implies no reduction in the number of immigrants admitted on the basis of

family relationships. The number of such "family-sponsored immigrants," now 436,000 a year, would increase to 465,000 a year through Sept. 30, 1994, and would then rise to 480,000.

Under the bill, immigration will initially increase 40 percent, to 700,000 from the current level of about 500,000.

This will drop to 675,000 in 1995. Those figures do not include refugees, who are admitted after showing "a well-founded fear of persecution" in their homelands.

Mr. Bush has authorized the admission of as many as 131,000 refugees in the current fiscal year, up from 125,000 last year.

The bill was passed Saturday, a few hours before the 101st Congress ended.

The Congressional Hispanic Caucus staged a brief revolt and forced the sponsors of the bill to strip out a section permitting sever-

al states to test the use of more secure identification documents.

The bill ranks in importance with the Quota Act of 1921, which established the first numerical restrictions on immigration, and the Immigration and Nationality Act of 1952, the McCarran-Walter Act, which listed dozens of ideological and other reasons for excluding foreigners.

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Nobutaka Shikanai, Media Baron, Is Dead

By David E. Sanger
New York Times Service

TOKYO — Nobutaka Shikanai, 78, the founder of one of Japan's largest media conglomerates and the creator of its most famous art museum, died Sunday of liver failure, according to his company, the Fujisanki Communications Group.

Mr. Shikanai was one of a handful of entrepreneurs who built huge business empires from the ruins of Tokyo after World War II. But unlike Akio Morita of Sony Corp. or Soichiro Honda of Honda Motor Co., Mr. Shikanai's business success grew not from technology and

marketing but from politics, and he remained a powerful conservative voice in Japan until his death.

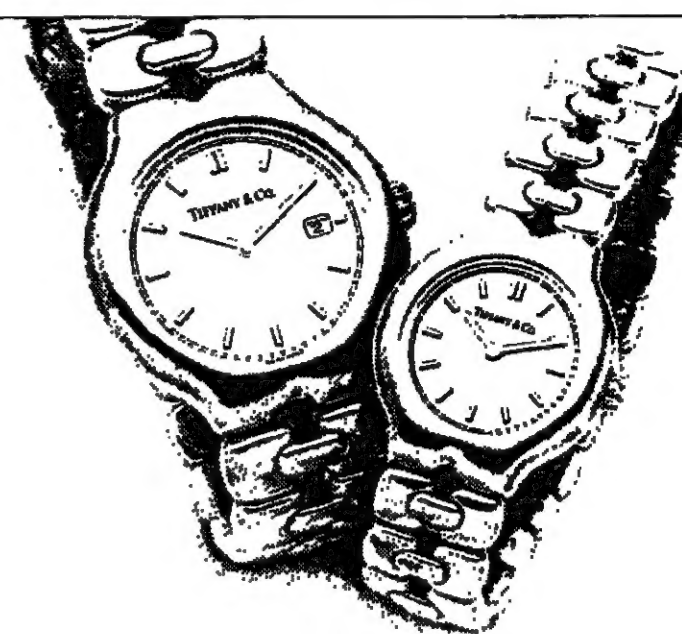
He was also never far from controversy. His career began as a central figure in Japan's efforts to confront Communist-run labor unions, which he helped to virtually destroy despite threats to his life.

Last year, just before he turned full control of his \$5 billion communications group over to his son-in-law — including Japan's largest privately run television network and a 2.2 million circulation newspaper, the Sankei Shimbun — Mr. Shikanai stared down criticism

over his payment of \$2 million to former President Ronald Reagan and his wife, Nancy, for an eight-day visit to Japan.

Mr. Shikanai spent much of the last two decades devoted to the arts. In 1969, he opened the giant Hakone Open-Air Museum in the mountains just below Mount Fuji, west of Tokyo, and filled it with the works of Henry Moore, Auguste Rodin, Alexander Calder and other artists.

On the grounds of the museum, he built a separate facility to house his collection of Pablo Picasso's works.



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OPINION

So the Assistant Secretary Went to Polygraph Limbo

By William Safire

WASHINGTON — The man responsible for subjecting scores of his fellow State Department employees to the mental torture of polygraph tests confessed at a Senate hearing last week that "I took a lie detector test and did not do well on it, and what I learned from that is that they are very unreliable devices."

Robert Lamb, as assistant secretary of state for diplomatic security, had asked for a leak investigation — com-

berger polygraph virus spreads unrestrained, the number may be higher. In Mr. Lamb's case, however, Hill pressure was brought to bear because Senator Joseph Biden and Senator Paul Sarbanes consider Cyprus important and want a U.S. ambassador there to argue with the Turks.

Reluctantly, Justice cleared Mr. Lamb last week — it hates to open the FBI's lie-detector warehouse — and the Foreign Relations Committee immediately held its hearing.

One problem remained: On the committee questionnaire that asked if the nominee "had been interviewed or asked to supply information" in an investigation, Mr. Lamb — who certainly had been interviewed, time and again — checked "no."

Asked to explain this apparent deception, he claimed that Ivan Selin, in charge of management at State, had told him he was no longer being investigated, which was how he then chose to interpret the questionnaire. Senator Biden said drily that the FBI had told him the opposite. Shaken, Mr. Lamb then let the warehouse cat out of the bag: "I was told . . . that investigations of this type are kept open indefinitely, and in fact the investigation probably would never be closed . . ."

One assessment by an anonymous merchant of sweat that a subject hooked up to a machine made the needle move funny, and that person becomes a bureaucratic zombie.

What Mr. Lamb found out instead was how a career can be jeopardized by a spike on a nervousness chart. He had spoken to four reporters about the Bloch affair, and what he told the FBI about what he had said triggered a negative polygraph report. That drew him into the web of an extensive plumber's operation.

"I was told by an FBI agent that I was not a suspect in any way on this," he protested to the Senate Foreign Relations Committee at an unreported hearing. He asserted, "I have dealt with some of the most sensitive matters that we have in the government."

That case is that the polygraph is dangerously unreliable. Those like Mr. Lamb who call it a "helpful tool" in interrogation mean that it scares suspects more than a rubber hose.

GENERAL NEWS

Among Ex-Contras, a Rebellious Mood

By Lindsey Gruson

YALI, Nicaragua — Dissatisfaction with President Violeta Barrios de Chamorro among many of her peasant allies has created a volatile, rebellious mood in the northern mountains of this country.

"It's an explosion waiting for a spark," said Roberto Ferrey, director of the Nicaraguan Institute for Repatriation, a government agency that is having difficulty resettling refugees and former contra rebels. "The problem of land is eternal, but our time is running out."

Former contras complain that Mrs. Chamorro's government, which was voted resoundingly into office in February, has made too many concessions to the Sandinistas. They say she has yet to fulfill promises made in a desperate, drawn-out effort to persuade the contras to surrender their U.S.-supplied weapons.

The discontent, particularly over the government's failure to fulfill pledges of land redistribution, has led to a rising spiral of violence and retaliation. It could drive thousands of former rebels to take up arms and return to the mountains just months after their demobilization.

"The situation is critical," said Enrique Zelaya, who is still known as Commander Henry, the nom de guerre he used in contra days. "The reasons they went into the jungles are still there. I've been told by many commanders — commanders of groups of 100 or 120 or more — that they're ready to go back and make war."

Groups of dissatisfied peasants and former insurgents are beginning to work together. And any threat to return to the civil war, in which 30,000 Nicaraguans died, fills many with foreboding.

Leaders of the former contras say that their followers feel abandoned at the moment of

their triumph and that the government treats them as misfits and social outcasts. They complain that their wounded have received almost no medical care and that widows and orphans have yet to receive the pensions and benefits guaranteed by the demobilization agreement.

But the flash point is the government's failure to make land available to tens of thousands of repatriates and demobilized rebels and their dependents.

Oscar Sobalvarro Garcia, who was known during the war as Commander Ruben and who was recently elected president of the insurgents' directorate, estimated that about 55,000 hectares (140,000 acres) had been turned over so far to about 4,000 former rebels. But he said that the government had yet to fulfill pledges to distribute about 225,000 hectares to 6,000 other former guerrillas, or to settle the cases of 3,800 others who maintain that the former government illegally confiscated their lands.

"The government has broken virtually every agreement it signed," he said.

In one of a series of takeovers of land, demobilized insurgents armed with a few automatic rifles invaded a Sandinista cooperative on a hilltop 200 kilometers (120 miles) north of Managua in October. Seizing the residents' weapons, which had been surreptitiously supplied by the Sandinistas, the insurgents expelled the 48 families who had lived on the sprawling farm, once a Sandinista bridgehead in the heart of a rebel zone.

"The children are hungry, the children are sad," said Justina Ortiz Lopez, who lost her husband and a son during two decades of revolution and counterrevolution. While tearfully disassembling her concrete shack's corrugated roof, the family's most valuable possession, she added: "We don't have anything to eat

and we don't know where to go," Emilio Padillas Olivar, a leader of former contras at the occupied Sandinista cooperative, said. "They promised us land to work, but we've been left in the air with empty promises of tomorrow, tomorrow, tomorrow. We gave them a chance. But since they didn't fulfill their promises, we had to act."

The day after the invasion, in what appeared to be Sandinista retaliation for the takeover, two powerful bombs exploded in the garage of Jaime Cuadra Somarriba, the regional governor. He has become a hero to the former contras for his adamant opposition to what he sees as the government's traitorous efforts to appease the Sandinistas.

Clashes between Sandinista loyalists and their opponents now occur almost daily. In response to a confrontation, a pro-Sandinista radio station reported, the government imposed a dusk-to-dawn curfew recently in Puerto Cabezas, a Caribbean port northeast of Managua.

Western diplomats and Nicaraguan officials say the backlash among repatriates and former rebels is in large part the outgrowth of a gamble by Mrs. Chamorro and her senior aides. Apparently calculating that the right has no option but to support the government, they have acceded to a string of Sandinista demands in an effort to promote national reconciliation after decades of ideologically driven civil war.

Mrs. Chamorro enraged former insurgents and other Sandinista opponents even before her inauguration by agreeing to keep the defeated government's military chief of staff, General Humberto Ortega Saavedra, the personification of Sandinista military might. She has also allowed thousands of other Sandinista loyalists to retain their military appointments and civil service jobs.

Mexico to Get U.S. Copters Despite Critics

By Clifford Krauss

WASHINGTON — As part of its war on drugs, the Bush administration is scheduled to begin delivering military helicopters to Mexico this week despite accusations by three senators that the aircraft will be managed by a law-enforcement official who has been linked to drug corruption.

The administration says it hopes the helicopters, from the Defense

Department's excess stocks, will improve Mexican efforts to catch traffickers who fly cocaine from Colombia to the United States through Mexico.

State Department officials said the helicopters would enable the Mexican police to respond quickly to landings of aircraft carrying drugs before the narcotics could be dispersed and prepared for shipment to the United States.

The first two Bell UH-1H Hueys

are scheduled to be shipped this week. The transfer, valued at \$17 million, does not require congressional approval, but, as a courtesy, officials of the State Department briefed six congressional committees in July. Although no committee raised a formal objection, at least three senators have expressed concerns.

Jesse Helms, Republican of North Carolina; Alfonse M. D'Amato, Republican of New York; and Dennis DeConcini, Democrat

of Arizona, said they feared that the helicopters could be used to benefit traffickers unless American officers were allowed to monitor their use.

Mr. Helms and Mr. D'Amato have asserted that the Mexican attorney general, Enrique Alvarez Del Castillo, who is the commander of the police who will operate the helicopters, cannot be trusted to collaborate in the fight against drugs.

In a letter to Secretary of State James A. Baker 3d in August, Mr. Helms asserted that Mr. Alvarez, in his former post as governor of the state of Jalisco in the early and middle 1980s, allowed the state "to become the center of illegal narcotics activities in Mexico."

Gustavo González Baez, attaché at the attorney general's office in the Mexican Embassy in Washington, said the accusations against Mr. Alvarez were groundless. He said narcotics seizures and arrests had increased in the two years Mr. Alvarez has been attorney general.

U.S. Adviser Had Warning of Salvador Plot

United Press International

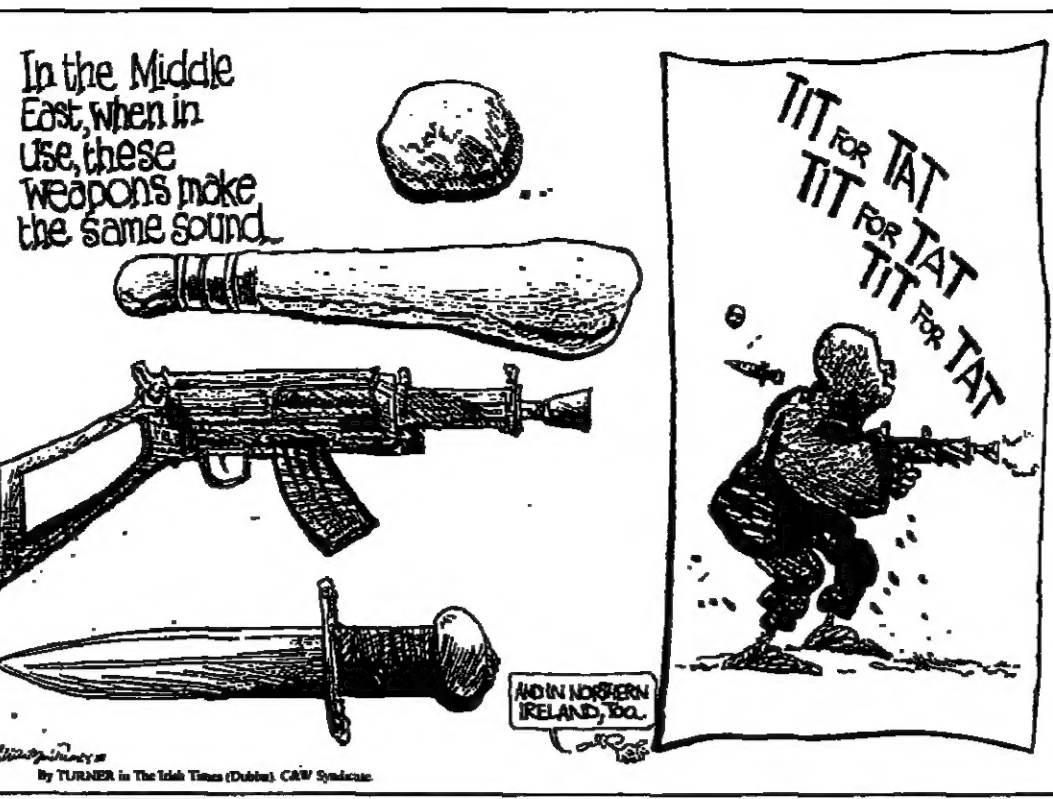
SAN SALVADOR — Documents indicate that a U.S. military adviser who gave important testimony on the murder of six Jesuit priests told investigators that he and others had had prior knowledge of plans for the killings.

The documents, which were supplied recently to the Salvadoran

court handling the case, show that Major Eric Buckland told FBI agents in January that he and Salvadoran officers he advised knew of the plans.

Major Buckland told the agents on Jan. 11 that he had learned from a Salvadoran colonel, Carlos Armando Aviles, that Colonel Guillermo Alfredo Benavides wanted to

kill the rector of the University of Central America, Ignacio Ellauri. Father Ellauri, five other Jesuits on the faculty, their housekeeper and her daughter were killed on Nov. 16 by members of the U.S.-trained Atlacatl battalion. The university was considered by many in the military to be sympathetic to Salvadoran rebels.



LETTERS TO THE EDITOR

Help Keep the Russian Commonwealth of Eurasia Whole

Regarding "Plan Now For a Collapse of the Soviet Union" (Opinion, Oct. 18) by Brian Beedham:

The collapse of what I prefer to call the Russian Commonwealth of Eurasia not only would not benefit its people but would have disastrous consequences for both Europe and Asia.

As a member of a family which played a role in the past, I have special feelings for my country and I cannot understand why Mr. Beedham and many others have chosen to express apocalyptic projections of Russia's future, while implying that collapse would be tolerable.

The frightening proposed scenario is not complete. The collapse of Russia would be followed by the appearance of peripheral governments trying to give birth to fictitious new nations from the remnants — a destabilizing factor not only in Europe but also in the Far East and along the borders with the Islamic nations.

Poland would inevitably think in terms of reconquering its lost eastern territories, without giving up those acquired in the west, with easily imaginable consequences.

Beyond the Urals, we are going to see the whole of Siberia as part of one of the Russian splinter states, or would it, too, split into several independent Siberias or, even worse, along tribal lines?

Would Kazakhstan push northward toward an access to the open sea? Would Russia be attracted by the hope of reunification with Uygur brothers across the Chinese border, again with easily imaginable consequences? And

Japan, China, Afghanistan, Iran and Turkey — would they stay put?

This is a very likely nightmare scenario that the world would have to face should the Soviet Union collapse now. So instead of setting up a new *cordon sanitaire* to quarantine Russia, let's plan now for concrete ways of helping the Russian Commonwealth work its way out of the present difficulties.

For the past three centuries the Russians have become accustomed to receiving orders that could not be discussed, to submitting without protest to the will of all-powerful rulers. Even with the assistance of Western countries, it will take time for them to learn to make decisions independently, take responsibilities and run risks.

Prince NICHOLAS ROMANOFF, Rome.

Mortal Danger in Rwanda

French and Belgian authorities sent troops to Rwanda after the rebellion there. Meanwhile, thousands of arbitrary arrests have taken place. This wave of detentions, essentially of members of the minority Tutsi community, may turn into a mass reprisal along tribal lines. This threat will be heightened if the Hutu-dominated government continues to feel menaced by the rebels.

If Western governments are really concerned about democratic rights in Rwanda, and if President Juvénal Habyarimana is as respectful of the law as he maintains, the International Committee of the Red Cross or Amnesty International

should be given rapid access to the detainees. Speed is of the essence.

FRANÇOIS KANYAMUHETO, Trier-sur-Seine, France.

Sentence Before Trial

Galileo and Al Capone were first judged and then condemned. International and American laws must have changed a lot since then because the United Nations first condemns Israel for police killings and then wants to send a fact-finding mission to Israel to investigate those killings.

MARCEL LORIE, Wilrijk, Belgium.

Different Presidents

In "A President Exposed for Lack of a Prime Minister" (Opinion, Oct. 23), Jim Hoagland contrasts the American president with the French president-prime minister tandem, the former concentrating on global matters while domestic affairs are left to the prime minister.

There is another contrast. President George Bush finds time to go on the hustings, despite these perilous times, to influence the vote — as the highest officer in the land — in favor of one candidate in a bipartisan contest. The French president, François Mitterand, having campaigned for the presidency on a Socialist platform, became president of all the French and deems it incompatible, as head of state, to be engaged in activities of a partisan nature. He rises above the political maelstrom, as it were.

ELLEN WRIGHT, Paris.

They Just Run Into Doors, And the Children Watch

By Anna Quindlen

DETROIT — Some days it seems that all the troubles in the world are coming through the phone lines into this unprepossessing suite of offices just outside the city limits.

"National Domestic Violence Hot Line," says one of the women answering the phones at 1-800-333-SAFE, her face

were no shelters for battered women in Michigan. Now there are 48.

On Friday, Congress passed a resolution directing the states to consider domestic violence in custody proceedings. Many judges don't.

At a time when some corporate sponsors have become penurious and cautious — AT&T's cowardly abandonment of Planned Parenthood because of its support of abortion rights comes to mind — Johnson & Johnson spends \$500,000 annually for the hot line, which will provide computerized shelter listings and trained listeners for nearly 100,000 callers this year.

And many women do leave, finding a haven at a shelter, rebuilding a life. But it requires much more courage than a "movie of the week" television program would suggest.

Many of them stay because they suspect that they can't raise their children on one income in a two-income world. So they become adept at the use of foundation to conceal bruises. It is axiomatic that hardly anyone ever really runs into a door.

Debi Cain still marks the anniversary of the day when a nurse who came to the shelter after yet another fierce beating told her that if she didn't, he would kill their kids. Then he put his gun on the hall table, and said, "When Mommy comes, go outside and play." He shot her in the head, on their front lawn on a summer day. The children watched.

There is a new generation of boys and girls out there who will believe that a relationship between a man and a woman is like a boxing match in which one contestant has no arms.

Teaching them otherwise is the real answer, but the people who could take care of that are at the other end of the phones, knocking the receiver halfway across the room because if he told her once, he told her a million times not to tell, and anyway she drove him to it, and it's only because he goes a little crazy when he gets jealous, or when he's drunk, or when he's had a hard day at work. And the telephone — he knows it's her boyfriend, whatever she says.

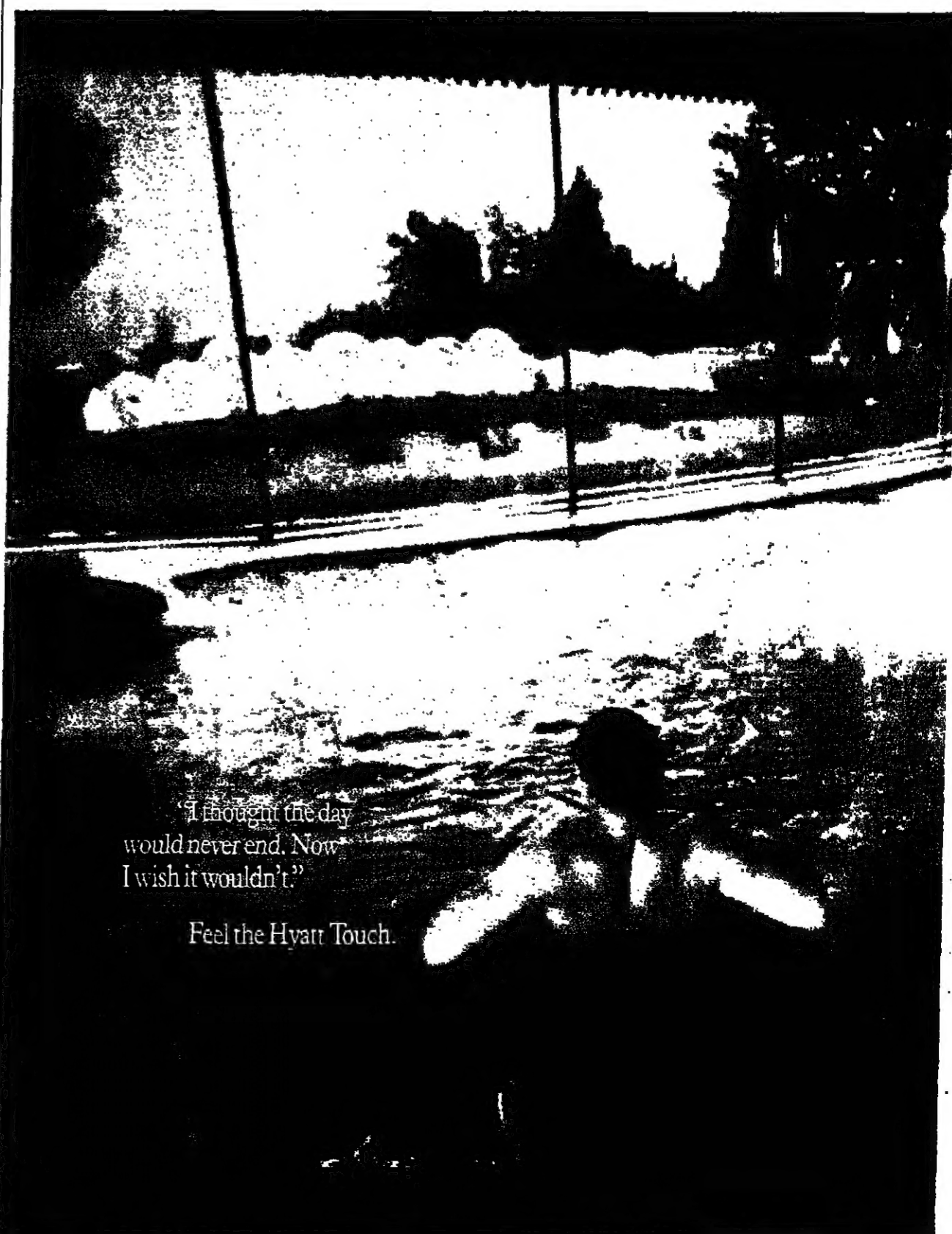
It's her fault he has to hit her. He's sorry. It won't happen again. He knows he said that the last time. But this time he means it.

Don't cry.

And the children listen and watch and learn.

The New York Times.

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Ivory Coast's Leader Wins 85% of Vote

Legislative elections are scheduled for next month. More than 25 parties have been created since May, when the president, bowing to increasing social and political ferment, lifted the ban on opposition parties.

October 29, 1990

INTERNATIONAL FUNDS

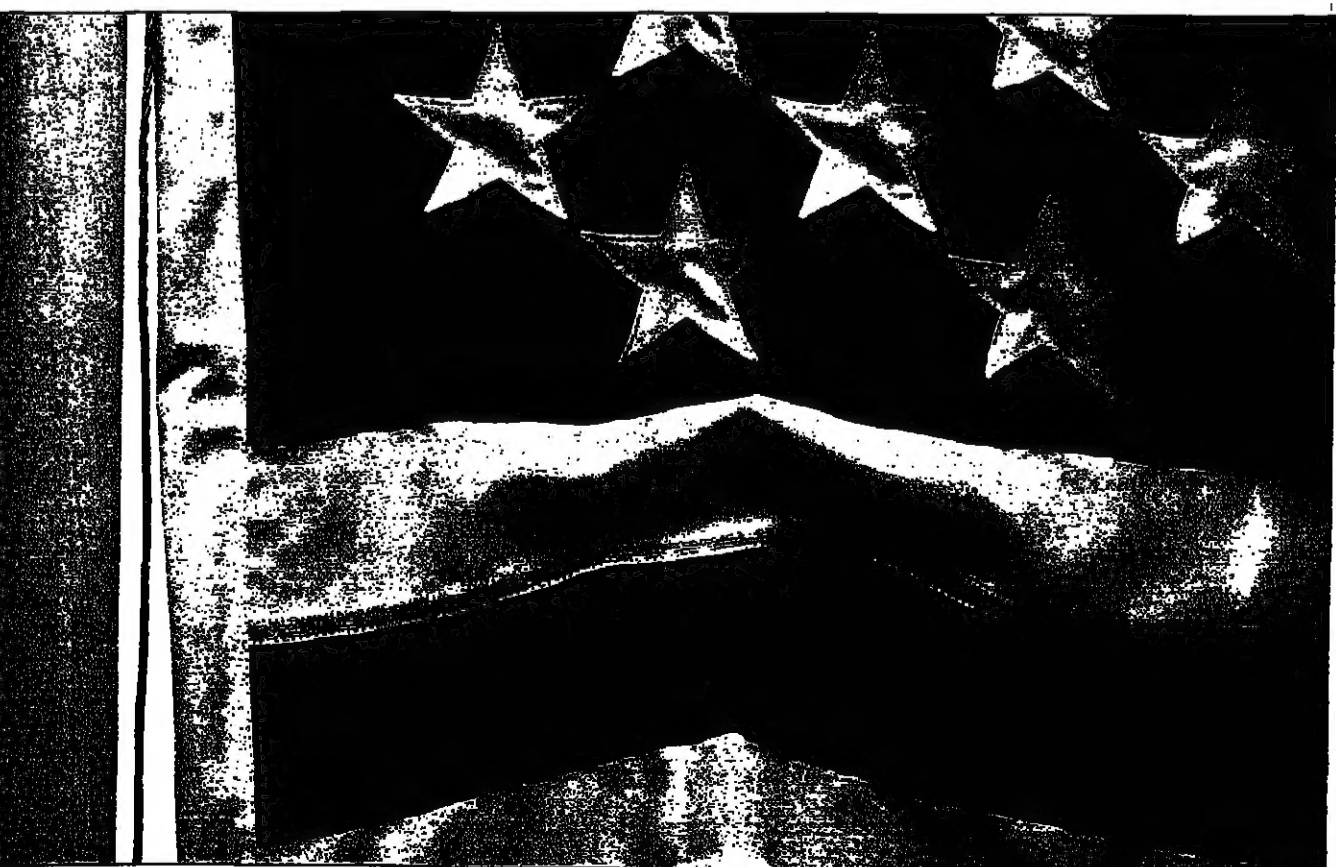
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NORTHWEST AIRLINES



Peace Bid Of Soviets Doubtful

Kuwaiti Aide Sees End of Diplomacy

By Youssef M. Ibrahim
New York Times Service
RIYADH — The secretary-general of the Gulf Cooperation Council on Monday described the mission of a special Soviet envoy who met with President Saddam Hussein to seek a peaceful resolution to the Gulf crisis as "diastrophic."
"The chapter of diplomacy to resolve the Gulf crisis will be closed, very soon," said Abdullah Bishara, a senior Kuwaiti diplomat who is secretary-general of the council, a regional alliance led by Saudi Arabia.
"There is no breakthrough," Mr. Bishara said in an interview here on Monday night.
Mr. Bishara's comments came after a two-day meeting in Riyadh of the foreign ministers of the countries that make up the Gulf Cooperation Council — Saudi Arabia, Kuwait, Oman, Bahrain, the United Arab Emirates and Qatar — and after the arrival in Riyadh on Monday of the Soviet envoy, Yevgeni M. Primakov.
Mr. Primakov met with Mr. Hussein in Baghdad for an hour on Sunday. A second meeting between the two men was canceled.
[Mr. Hussein denied in an interview broadcast on Monday that nothing had been accomplished by the meeting with Mr. Primakov, Reuters reported from New York.]
"I haven't seen any statement in which Mr. Primakov said that the visit that he has made to Iraq is the last chance," the Iraqi president said in the interview with Cable News Network.
"We have conducted a dialogue with Mr. Primakov that is wide-ranging, deep and very useful," Mr. Hussein said, "and I put him in the picture as to our thinking as to how the solutions could be reached to many of the issues in the region."
Mr. Primakov flew to Jeddah early Friday evening to meet with the Saudi foreign minister, Prince Saud al Faisal, and possibly with King Fahd, Saudi officials said.
Although asserting that the foreign ministers had no firsthand account of the results of Mr. Primakov's visit to Baghdad, Mr. Bishara said the mission of the personal envoy of President Mikhail S. Gorbachev to the Gulf region in the last two weeks "was a fiasco."
Saudi officials expressed skepticism on Monday about the usefulness of any further approaches to the Iraqi president unless he agreed to an unconditional withdrawal of his troops from Kuwait — something that Baghdad so far has rejected.
Mr. Bishara described the efforts undertaken by Mr. Primakov as a goodwill mission largely fueled by deceptive suggestions from Iraq about a possible peaceful solution.
He said the suggestions were meant only to gain time and put off the possibility of an armed conflict.
Senior Saudi officials and Kuwaiti diplomats also said there were emerging signs of serious erosion of support in Iraq for Mr. Hussein.
They described the dismissal on Sunday of Iraq's oil minister, Ishaq Abdul Rashid al-Sayid, and the cancellation of gasoline rationing imposed about on Oct. 19 in Iraq as signs of growing "hesitation" and "insecurity" on Mr. Hussein's part.
Mr. Hussein entrusted the crucial oil portfolio to his son-in-law, Hussein Kamel Hassan, who also controls the industry and military production portfolios in the Iraqi cabinet.
Officials from the Saudi intelligence agency and the oil industry said the rationing had backfired badly, causing widespread grumbling among the Iraqi population.



An American soldier with a mine detector during exercises Monday in the Saudi Arabian desert.

BUSH: Is President a Prisoner of White House Staff?

(Continued from page 1)
White House," one Republican strategist said, "and they can't figure out why the president, a former Republican Party chairman, is basically sitting there without tapping into the resources of the savvy operatives who delivered the White House five out of the last six times."
When Mr. Summu took over as chief of staff, he scuttled a plan to bring Robert M. Teeter, Mr. Bush's experienced poll-taker and strategist, into the White House as an equal. He also substantially weakened the White House political office, which had been a potent force in the Reagan years.
When Lee Atwater, the tough and savvy leader of the Republican National Committee, fell ill, Mr. Summu saw no need to fill that gaping hole in sophisticated advice.
One senior Republican official who watched the president being humiliated last week at campaign events in New England by candidates who were scrambling to distance themselves on the tax issue said Mr. Bush was suffering from a lack of sophisticated guidance.
"The White House is not a place to begin your education," he said.
The seven diplomats were aboard the jetliner when it flew into Baghdad from Kuwait with more than 50 freed hostages. That group was joined by 210 French citizens waiting at the Baghdad airport for the flight to Paris.
The plane also carried nine Greeks, four Britons, two Filipinos and one German and one Spanish citizen freed by Iraq.
Dozens of French passport holders, mostly dual nationals and businessmen, chose to stay behind in Iraq.
Daniel Bernard, the Foreign Ministry spokesman, confirmed that France would honor Iraq's demand to fly the plane with a cargo of medicine for the return flight.
But the analysts and officials pointed out that many steps toward setting up the joint central bank were to be taken during that year.
"In important ways, like making central banks independent, the Stage 2 will begin before 1994," Mr. Collignon said. "This agreement is much further than German hard-liners wanted to go."
The leaders also established that they should review progress three years after the start of the second stage, in 1997, with a view to deciding when to move to the final stage of irrevocably locked exchange rates and adoption of the Ecu as the sole currency.
It was the first time the EC leaders had ever referred specifically to the Ecu as the single currency, a step that Bonn has long resisted.
Chancellor Helmut Kohl also persuaded reluctant partners to back more far-reaching ideas for political union, including enhanced powers for the European Parliament and moves toward joint foreign and defense policies.
Analysts and officials said little was decided during the summit meeting to achieve an agreement on political union. "There hasn't been a great deal of work accomplished in this area," said the EC official.
Mr. Kohl has often indicated that moves toward political union — albeit based on the principle that decision-making should be left to the most appropriate level — was a precondition for EMU.

EUROPE: A German Model for Monetary Union

(Continued from page 1)
agreeing to share its economic power in exchange for the others, in particular France, sharing their traditional political influence and power.
A senior French official said: "Germany is giving up more than anyone else. Instead of its Bundesbank deciding on the level of interest rates and the rest of Europe following, its lead six hours later, this will be a shared decision."
Nonetheless, the analysts and officials also agreed that a note of caution was necessary, asserting that much remained to be done before a final agreement on the details of monetary and political union was reached at intergovernmental conferences expected to begin in Rome in mid-December.
"The devil is always in the detail," said Helen Wallace of the Royal Institute of International Affairs, adding that she was "not sure the argument is yet over inside Germany" on the pace and conditions of monetary union.
She also said that Mrs. Thatcher had a point "that there is a certain idiosyncrasy in not being able to make a decision on the immediate problem of the common agricultural policy that could do enormous harm to free trade while looking far into the future."
Others acknowledged that the farm debate, which threatens the global Uruguay Round talks on liberalizing trade, had given Mrs. Thatcher apparently easy arguments against unification. Nonetheless, they rejected the implied linkage to the movement toward monetary and political union.
The United States just went through an extraordinary process of negotiating its budget over the last five months, but no one is saying it is falling apart or that it is not politically mature," said Peter Ludlow, head of the Brussels-based Center for European Policy Research. "What is happening in the Community is similar."
The EC official added: "We negotiate our joint position with our congress, the council of ministers, before we sit down with our global partners. In the United States, it is the other way around."
The EC heads of state agreed, over Mrs. Thatcher's vociferous objections, to the timetable, conditions and specific steps toward creating a joint central bank that will take over decision-making on monetary policy for the 12.
Summit participants decided that the second phase of economic and monetary union should begin on Jan. 1, 1994, when the common monetary authority would begin operation, although it would not immediately assume full control over policy.
Just like the Bundesbank, the new authority would be required to maintain price stability as its primary objective and be guaranteed independence from national governments.
The date for its establishment is one year later than sought by the fast-track countries led by France.

West Cool to Gorbachev on Arab Talks

By Joseph Fitchett
International Herald Tribune
PARIS — Officials in Washington, London and Paris showed little enthusiasm on Monday for President Mikhail S. Gorbachev's call for an inter-Arab conference to help induce Iraq to withdraw from Kuwait.
Sounding pessimistic about the chances of a political breakthrough, some Western officials expressed concern about signs of confusion in Soviet policy that could blur the position of the coalition ranged against Baghdad.
Mr. Gorbachev, speaking at a news conference after a French-Soviet meeting, seemed to go further than any Western leader in suggesting that President Saddam Hussein of Iraq might be given assurances about the future as a spur to leaving Kuwait.
But the Paris meeting gave no grounds for Iraq to hope that it might draw Moscow and France onto a separate policy line from Washington, all the more because President Francois Mitterrand avoided associating himself with Mr. Gorbachev's suggestion.
The guarded Western response was partly dictated by diplomatic calculations, some officials said. By keeping their distance from the Soviet proposal, Western governments safeguarded their options while awaiting Iraq's reaction.
Without suggesting a deliberate division of labor among governments in the anti-Iraq coalition, officials played down the risk of Mr. Gorbachev's taking any step that might alienate the West, and Washington in particular.
The Bush administration, according to a U.S. expert on the Middle East, William B. Quandt, was only likely to "get upset if it appeared that the Soviet Union, perhaps with France or Saudi Arabia, was trying to start substantive negotiations with Iraq still in possession of Kuwait."
Short of that, Washington was eager to maintain the cooperative climate with Moscow that had produced unanimity among the powers on the United Nations Security Council.
A new resolution calling for Iraqi war reparations to Kuwait had been held up at Soviet request while a Soviet envoy, Yevgeni M. Primakov, met on Sunday with Mr. Hussein. A U.S. official said that Washington had agreed only to a 36-hour delay, and on Monday the resolution was adopted.
The confusion about the results of the Primakov mission have reinforced the slightly capricious image of Moscow's Gulf diplomacy — as Mr. Primakov was contradicted by Foreign Minister Eduard A. Shevardnadze, whose comments were then contradicted by Mr. Gorbachev.
A U.S. official said Mr. Shevardnadze's attitude reflected his concern about the risk of seeing some aspects of Soviet policy in the Gulf collide with Moscow's need for better relations with the West.
Although officials denied knowledge of any precise new secret developments in the Gulf conflict, analysts said Mr. Gorbachev apparently hoped that Arab nations might be willing to promise some compensation for Iraq if it withdrew from Kuwait.
Mr. Gorbachev pointedly reaffirmed UN resolutions demanding full, unconditional Iraqi withdrawal from Kuwait and warned Mr. Hussein against thinking that international condemnation might weaken Western officials, meanwhile, expressed wariness about the risks of any proposal along Soviet lines that seemed to suggest prewithdrawal negotiations with Baghdad.
A British official cited "the good, strong language" of a European Community statement this weekend that insisted on Iraq's withdrawal without any reference to possible future deals between Iraq and Kuwait.
French officials, sounding less concerned, agreed with Mr. Quandt's view that "the only argument is whether you could structure negotiations before withdrawal in a way that denied Saddam Hussein any semblance of political victory, or whether you have to have an awful war to get to that result."
If Arab mediators sought to arrange advance terms for Iraq to surrender Kuwait, several officials said, Western governments would want to remain at arm's length from those dealings in order to prevent any impression that they were ready to compromise on the terms of Security Council resolutions.

Iraq Frees 300 Hostages, Mainly French

Compiled by Our Staff From Dispatches
PARIS — About 300 Westerners, most of them French, were flown Monday from Iraq and Kuwait after three months as hostages of Saddam Hussein.
The French Foreign Ministry also said French diplomats had been ordered to pull out of the embassy in Kuwait, where they had endured siege-like conditions for weeks.
The seven diplomats were aboard the jetliner when it flew into Baghdad from Kuwait with more than 50 freed hostages. That group was joined by 210 French citizens waiting at the Baghdad airport for the flight to Paris.
The plane also carried nine Greeks, four Britons, two Filipinos and one German and one Spanish citizen freed by Iraq.
Dozens of French passport holders, mostly dual nationals and businessmen, chose to stay behind in Iraq.
Daniel Bernard, the Foreign Ministry spokesman, confirmed that France would honor Iraq's demand to fly the plane with a cargo of medicine for the return flight.
President Francois Mitterrand cautioned against celebration as long as hundreds of Westerners remain captive in Iraq and Kuwait.
"I express the joy of all the French people to those coming home," the French president said. "But we will rejoice fully only when the other hostages can return to their own countries."
Mr. Mitterrand spoke at a news conference outside Paris with President Mikhail S. Gorbachev after the signing of a French-Soviet cooperation treaty.
The French citizens were among 3,000 Westerners held in Iraq and Kuwait to deter an attack by U.S. and Western military forces deployed in the Gulf. A total of 67 French nationals had been held at strategic sites in Iraq as "human shields."
The Iraqi parliament approved the release of the French citizens last week in response to what it described as France's reluctance to support the policies of President George Bush.
France has sent more than 5,000 soldiers to Saudi Arabia to join a U.S.-dominated force facing Iraq.
Leaders of the European Community, meeting in Rome, pledged not to send representatives to try to win freedom for hostages held in Iraq and occupied Kuwait, reasoning that to do so would only support Mr. Hussein's efforts to try to divide the alliance arrayed against him.
The decision followed a trip to Baghdad by a former British prime minister, Edward Heath, who helped secure the release of more than 30 British hostages.
France, the United States and Britain have been the only Western countries to maintain embassies in Kuwait since Iraq overran the emirate. In August, Iraq cut off water and electricity to all embassies that defied its orders to close.
In Tokyo, meanwhile, former Prime Minister Yasuhiro Nakasone said Monday that he had been assured that he would meet Mr. Hussein when he visits Baghdad shortly, perhaps before the end of this week.
[In Washington, a U.S. official said the Bush administration was confident Mr. Nakasone was not going to do anything that would undercut international solidarity on Iraq.]
[The official said there was no specific effort to get Mr. Nakasone not to go to Iraq, nor any suggesting that he not do so. The United States is only suggesting, the official said, that when Mr. Nakasone makes the trip, he keep in mind the need for international solidarity for supporting the UN resolutions and the need to prevent Mr. Hussein from turning the hostages into a propaganda asset.]
There are 351 Japanese detained in Iraq. Of those, 137 men have been moved to strategic installations as "human shields."
The German government advised former Chancellor Willy Brandt on Monday to refrain from going to Iraq on a private mission to free hostages. (AP, Reuters)

COUNCIL: Gorbachev Asks Arabs for New Initiative

Mr. Gorbachev's appeal, backed by Mr. Mitterrand, for the Arab world to reach a peaceful accommodation with Mr. Hussein once UN resolutions are fulfilled is most likely to put new pressure on Egypt and Saudi Arabia. Officials in both countries have expressed a desire to crush Mr. Hussein's military machine so that it will not pose a threat to the region in the future.
Senior French officials said that their analysis coincided with the Soviet view: that Mr. Hussein's greatest concern is his own survival and that of his regime. They said Mr. Mitterrand and Mr. Gorbachev had agreed that a key element in a peaceful solution lies in persuading Mr. Hussein that he would not be attacked if he complies with the UN resolutions.
Later, according to a close Mitterrand aide, strict international controls could be applied to curtail Mr. Hussein's war-making ability, including his regime's real or potential capacity for chemical, biological and nuclear weapons.
He added that such restrictions would have to be part of a regional agreement including Israel and could be developed in the context of an international conference to settle other conflicts, especially the Israeli-Palestinian problem.
The Gorbachev-Mitterrand discussions on the crisis dominated a 24-hour visit designed to establish a new era of French-Soviet cooperation.
The force of the North Atlantic Treaty Organization is on its way to make a port call in Taranto, Italy, for maintenance and then on to Palermo, in Sicily. Afterward, the ships are to head back to the eastern Mediterranean. The nations contributing to the force are Greece, Germany, Italy, Portugal, Spain, Turkey, Britain and the United States.
General John R. Galvin of the U.S. Army said in a statement that the eight-nation Naval On-Call Force for the Mediterranean would continue its maneuvers in response to a request last month from the

UN: Iraq Accountable

(Continued from page 1)
ry execution, torture, deportations and hostage-taking.
The resolution also said that Iraq must allow the immediate provision of food, water and basic services to diplomats and foreigners in diplomatic missions in Kuwait City.
Iraq says that Kuwait is now an Iraqi province and that diplomats must move their operations to Baghdad. It has cut off water and electricity to the embassies there.
The U.S. and British compounds are the last Western holdouts; France announced Monday that it was closing its embassy.
The resolution asked Mr. Perez de Cuellar to use his influence to see that the council's demands were met, and encouraged him to be available to assist in reaching a peaceful solution to the crisis.
It threatened Iraq with unspecified punishment under Chapter 7 of the UN Charter if it failed to obey all resolutions. Chapter 7 allows punitive action including collective military force. (AP, Reuters)

NATO Extends Naval Exercise

The Associated Press
CASTELNUOVO, Belgium — NATO has extended a naval training exercise in the eastern Mediterranean to bolster the Western presence in the region, the allies' top military commander in Europe said Monday.
General John R. Galvin of the U.S. Army said in a statement that the eight-nation Naval On-Call Force for the Mediterranean would continue its maneuvers in response to a request last month from the

Pope Picks Soviet Scientist

The Associated Press
VATICAN CITY — Pope John Paul II named a Soviet space scientist to the Pontifical Academy of Sciences on Monday. The scientist, Roald Z. Sagdeev, a physics professor and director of the Soviet Institute of Space Research, is one of five new members of the 387-year-old academy. The others are from France, Germany, Poland and the United States.

For investment information, read

THE MONEY REPORT

every Saturday in the IHT

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Fashion Goes Serious

N.Y. AIDS Benefit Plan
Sets Week's Sober Tone

NEW YORK — The New York fashion shows opened here with the "Night of Stars" — a 60th anniversary presentation of awards to women of achievement in style by the Fashion Group International.

Ivana Trump missed the Plaza Hotel reception Sunday because of the death of her father in Czechoslovakia. This set a sober note for a

ter presence in the fashion world for years, it is only now that the industry has decided to shout rather than whisper its sorrows. The sight of so many sick colleagues, their wasted bodies a denial of the health and beauty that fashion celebrates, has brought home the urgent need to raise money for care and psychological help.

This awareness in the fashion industry is encouraging European designers to get involved.

There is such a need to give people information and even to tell them how to behave in front of dying people," says Jean-Paul Gaultier, who has donated \$25,000 in clothes to "Seventh on Sale."

"We must give information to young people, otherwise they believe, as I did about cancer when I was 15, that it could never happen," Gaultier adds. "In France there is such a taboo on talking about AIDS. People are either ostracized with their heads in the ground or they think of it as a punishment."

Gaultier and Kenzo, who have both recently lost people close to them through the disease, were at a benefit that closed the Paris collections last week. Pierre Bergé and Christophe Girard of Yves Saint Laurent are the moving force behind the annual fund-raising gala by French designers in aid of A.R.C.A.T.S.I.D.A., set up in 1985.

"We are part of a family with deep ramifications and we have all lost a lot of people who are dear to us," says Bergé.

THE unity shown in the face of AIDS is unique in a fragmented industry where self-promotion and professional rivalry are endemic.

Fashion is collaborating, too, with the music business. Jean-Paul Gaultier and the British designer Rifat Ozbek have both made lines of clothes (mostly stretch and sportswear pieces) to be sold under the banner of Red Hot and Blue, a benefit for AIDS research and relief. It has produced a double album of Cole Porter classics, reinterpreted in the light of the crisis by numerous musicians. International TV specials for Red Hot and Blue will include segments by Jean-Baptiste Mondino, Wim Wenders, John Maybury and others.

The deaths of Perry Ellis, Halston, Willi Smith, Giorgio de Sant'Angelo and Angel Estrada in the United States, and of Guy Paulin and Patrick Kelly in Paris, have sent out shock waves to the public. But the fashion world knows that the problem runs far deeper than the famous names. The toll includes unsung stylists, as well as embryo artists whose work will now never grow.

The involvement in the crisis of Vogue, emblematic of fashion's high-gloss perfection, is seen as a turning point by the fashion industry. Carolynne Roehm, an old hand at society fund-raising in New York, says that the response to the AIDS event is unprecedented. She especially praised Ralph Lauren's organization and Donna Karan, to whom she says she is "joined at the hip" in planning the event.

"There is a real education that needs to be done worldwide," says Mizrahi. "This effort by the fashion industry at this moment could prove to be historic."

Although AIDS has been a sin-



Photograph by Walter Chio



Photograph by Jean-Luc Hou

Tight trousers and sporty top by Donna Karan for DKNY, top left, and body dress and jacket by Isaac Mizrahi, left, among the creations for sale at New York's AIDS benefit sale. Christian Lacroix and model Ines de la Fressange, above top, and Jean-Paul Gaultier with Azzedine Alaïa at Paris benefit. Top center, Carolynne Roehm.

STYLE MAKERS

Temple St. Clair Carr
CULTURES IN JEWELRY

FLORENCE — People wore jewelry before they wore clothes, Temple St. Clair Carr says. "In the Egyptian tomb paintings, the gold crowns, necklaces and arm bands are infinitely more important than the linens," said the 30-year-old American jewelry designer.

She referred to a scene in a tomb at Thebes in which two dancing girls wear massive gold earrings, necklaces and arm bands "that cover much more than their bikinis." Earlier, in Sumeria, she said, gold petals and flowers were thrown like real flowers on the top of graves.

"From the beginning, all peoples have worshiped or killed for gold," she said. "Why gold? Why not some other substance?"

This archaeological dialectic is characteristic of Carr's life and work. The Virginia-born designer works in a 400-year-old cottage that once housed the olive presses of the villa across the road. Her Florentine hillside retreat is decorated with Sicilian ceramics, Turkish carpets and ethnic jewelry collected on her world travels, which began at 15, when she was sent to school in Switzerland.

After getting a master's degree in Renaissance art and literature in Florence, Carr might have become an archaeologist or art historian. But her love of jewelry dates from her childhood and a collection of coins and American Indian jewelry.

"Show me a piece of jewelry and I'll tell you of a culture," Carr said, lifting a mass of bright Naga beads



Temple St. Clair Carr, wearing rock crystal amulets.

from the white, succored wall of her home of almost 10 years. When in New York, she lives in a Greenwich Village apartment covered with old Italian prints and fabrics to cushion along the Silk Route. Traders returned with rubies and sapphires to be cut and set in Venice.

Carr's most requested pieces at her main outlet, Barneys New

York, are necklaces with rock crystal amulets wrapped in gold wire. Candice Bergen appeared in Harper's Bazaar last year wearing Carr's rock crystal necklaces as well as her medieval-style rings and earrings. Elle, Glamour and W have all featured Carr's interpretations of antique jewelry, including Egyptian scarab rings and Renaissance necklaces inspired by the paintings of Bronzino in the Uffizi Gallery.

"I don't reproduce. I re-create," Carr said. "My jewelry is an evocation of bygone ages in which jewelry had a real meaning in society. Emperors and kings awarded gold chains, often with their likenesses in medallions, as a reward for loyalty and service. They were not interchangeable."

The best part of her work, she said, is encouraging Florentine goldsmiths to rediscover the techniques of their forefathers.

"Most New Yorkers have no concept of a handmade piece of jewelry," she said. "They should see my craft: melting, hammering and cutting sheets of 22-karat gold. The simplest piece, an English Gypsy ring, takes a day and half to make. The most complicated, a tourmaline necklace with gold granulation, took eight months to perfect."

The items cost from \$800 to \$25,000.

"People often accuse me of being precious and not having a better business sense," she said. "Well, they're right. What could be a better antidote to the trendy, disposable society than making something attractive, which will last millennia?"

Susan Lumsden

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ACROSS

1 Bloody (cocktail)
5 Metaphor
10 Carry's partner
14 Theater award
15 Flick
16 Outermost of the Aleutians
17 "Crimes and Misdemeanors" actor
18 Wear down
19 Meander

20 Tune originally titled "Skoda Lasky"
23 Successor to Claudius I
24 Actress Barkin
25 Lincoln homestead
26 Dawdles
27 Prayer finale
28 Yarn spinner
34 Letter after sigma
37 Jelly Roll Morton composition

40 Superlative ending
41 Japan, China etc.
42 A group of troops
43 Ceremonial acts
44 Belief
45 Colo. ski resort
46 Continue
48 Song featured in "The New Moon"
49 Get fresh
50 Imam's daily
52 Alley Oop's love
56 Alternative word
61 Beatles' "And..."

6 Havana's "Castle"
7 Songwriter Novello
8 Ocean motion
9 Leaf and
10 Sings "Silent Night"
11 Lagoon locale
12 Dracula's undying
13 Earthling
21 One of the Cartwrights
22 Equals
23 Soap unit
26 Author Kingsley

27 Reached for the floor
28 Officers on deck
29 Pizza place
30 Minutiae
32 Fermentable liquid
33 Where Perry triumphed
34 Variation in color
35 Among
36 Until
38 North or south, e.g.
39 Reject

43 Put to work again
44 Cedar Rapids university
45 Balance-sheet item
46 Old hat
47 Oater bunch
48 Somber
49 Different
51 Stones from the sky
52 First name in scat
53 Considerably
54 Twist's request
55 Zest
56 Scruff

DOWN

1 City in Utah
2 Skilled
3 Take the train
4 Yen
5 Sully

Solution to Previous Puzzle

SPAS ALTO ANNE
MILE SOUND COOT
ETAL CARTE TONE
WHEEL OF FORTUNE
GET BRA
ROUTES DIALECT
ABLE PROEM ARI
GENERAL HOSPITAL
ELA ADEEM NEVE
DISAVOW OPENER
BER MAR
MURDER SHE WROTE
LANA REPEL ARI
ACID SNARE NENE
PETE TROT TISAR

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INTERNATIONAL STOCKS

Why German Institutions Are Wary of East Europe

By Richard E. Smith

FRANKFURT — As the world looks to Germany to supply a good deal of the capital for Eastern Europe in its struggle toward capitalism, German institutional investors have a message: Set up exchanges and issue securities as soon as possible so that we have something to buy.

German institutional investors, such as insurance companies and mutual funds, are among the world's richest but also among the most conservative and closely regulated.

"I am sure that we would be able and interested in buying more if these companies would organize as corporations and if they develop clear accounting procedures," said Udo Behrensdorf, a director of Deutsche Bank's mutual funds arm, which manages 37 billion Deutsche marks (\$24.43 billion) in funds.

"We cannot really invest where there is no orderly market and no daily pricing," said Lutz Wille, a manager with the ADIG funds group, which is controlled by Commerzbank.

So far, only Hungary has an exchange in full operation and even there the securities are often acceptable to Western institutions only because they are also quoted on the Vienna stock exchange.

Outside of Hungary, Czechoslovakia has issued some bonds denominated in Deutsche marks but otherwise there is virtually nothing to buy at the moment for a German institutional investor.

Poland is working to organize exchanges with French help and there are various dream scenarios about eventual offerings in the Balkans, the Soviet Union or even its constituent republics but anything is likely to be years away.

Although German regulations on institutional investment were loosened somewhat in March to conform with new European Community regulations, these big players remain largely limited to stocks and bonds quoted on internationally recognized exchanges.

ONE NOTABLE EXCEPTION under the new rules allows institutions to invest up to 10 percent of a fund in non-formal investments such as promissory notes or private placements. This means that an East European firm could lure a limited amount of German capital without going public but analysts note that this is a narrow channel in view of the region's massive capital needs.

"We have eased the regulations about as much as we can," said Helmut Rada, an official responsible for regulating institutional investors at the German Finance Ministry in Bonn. "Now it is up to the East Europeans to act, although it is understandable that it may take some time for companies and exchanges to get off the ground."

German institutions say that there are two major dangers with investments in Eastern Europe at the moment. The first is a lack of volume, which can often lead to extreme volatility. The second is a bewildering lack of transparency in markets that are awakening after a 40-year slumber.

The volatility problems were underscored when the Deutsche Bank fund made a token investment this spring in Ibusz, the Hungarian travel company, then took profits only weeks later when an unruly and narrow market had nearly doubled the price. Although this episode had a happy ending, the fund has been cautious about reinvesting in such unpredictable situations.

"In relation to the amount of money we manage, the Hungarian market is too small at this point," said Mr. Wille of the Commerzbank funds.

The transparency problem is hardly unique to Eastern Europe. Even most West German blue chips are reluctant to be quoted on the New York stock market.

See GERMANY, Page 12

CURRENCY RATES

Currency	Per \$	Per £	Per 100 Y	Per 100 S
Australian	1.5000	0.7500	100.00	100.00
Belgian franc	36.3636	1.8182	100.00	100.00
British pound	1.6547	0.8154	100.00	100.00
Canadian dollar	1.3150	0.6525	100.00	100.00
Deutsche mark	1.9364	0.9682	100.00	100.00
French franc	6.5596	3.2798	100.00	100.00
Italian lira	2.3636	1.1818	100.00	100.00
Japanese yen	163.89	81.945	100.00	100.00
Swiss franc	1.7364	0.8682	100.00	100.00
West German mark	1.9364	0.9682	100.00	100.00

Source: Reuters. All rates are approximate. For more details, see page 12.

INTEREST RATES

Currency	Rate	Term
3-month T-bill	7.00%	3 months
6-month T-bill	7.00%	6 months
1-year T-bill	7.00%	1 year
3-month Eurodollar	7.00%	3 months
6-month Eurodollar	7.00%	6 months
1-year Eurodollar	7.00%	1 year

Source: Reuters. All rates are approximate. For more details, see page 12.

Key Money Rates

Currency	Rate	Term
3-month T-bill	7.00%	3 months
6-month T-bill	7.00%	6 months
1-year T-bill	7.00%	1 year
3-month Eurodollar	7.00%	3 months
6-month Eurodollar	7.00%	6 months
1-year Eurodollar	7.00%	1 year

Source: Reuters. All rates are approximate. For more details, see page 12.

Layoffs Give Firms a Jump on Recession

By Louis Uchitelle

NEW YORK — Many American companies are laying off workers now, rather than waiting to be hit by hard times as they have in the past. Some economists warn that this outbreak of corporate preventive medicine increases the odds of a steep recession.

The number of people laid off in the United States has increased sharply since June, reaching the levels of the early months of the 1981-82 recession. While some companies, including Citicorp, Digital Equipment Corp. and McDonnell Douglas Corp., are acting because sales and profits have already begun to shrink, many others, including General Electric Co.'s appliance division and Nordstrom Inc., are only anticipating a downturn.

"Businesses are scared, and they are cutting costs in anticipation of what they think might happen," said Stephen S. Roach, a senior economist at Morgan Stanley & Co. "That sort of cost-cutting keeps American companies competitive in the world marketplace. But preemptive layoffs can be self-fulfilling, heightening people into spending less, which further weakens the economy."

The layoffs, and a smaller number of outright dismissals, in recent months have come in the service sector as well as in manufacturing, reflecting a new interest in cost-cutting, particularly among retailers and financial-services companies. Manufacturers have practiced this sort of cost-cutting for a decade to make themselves more competitive.

The recession, however, has become a good opportunity to improve productivity, often by dropping people and

putting in automated equipment," said Martin N. Bailey, a senior fellow and productivity expert at the Brookings Institution.

Such concerns about productivity have been cited in layoff announcements this month by Nordstrom, GE, Saks Fifth Avenue and Burger King, among others.

Whatever the dynamics, the number of American workers who

includes those who say they are temporarily absent from work for reasons other than illness or vacation. They expect to be recalled to work, although whether the companies plan to do so is not considered in the Labor Department survey.

During the last recession, the number of people on layoff rose above 1 million in mid-1981, as the downturn was getting under way,

workers as they manage their inventories of unsold goods," said Leslie McNulty, research director of the United Food and Commercial Workers Union. "They are trying to keep both sets of inventories — employees and merchandise — as low as possible."

Various tactics are being used to hold down payrolls without running up the number of people let go. A major one is reducing workers' hours. Tens of thousands of workers are being told, in effect, to choose between a layoff and a shorter schedule, said Jack E. Bregger, a Labor Department economist.

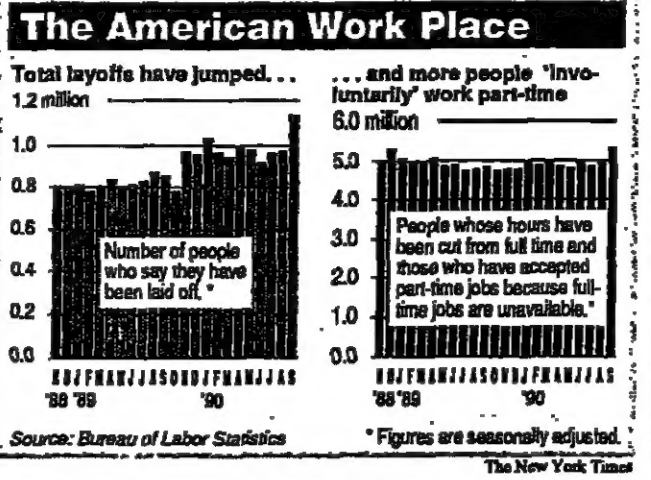
The number of people falling into this "slack work" category jumped to 2.65 million in September, from an average of 2.45 million for the first eight months of the year, the Labor Department said.

Another strategy is not to fill vacancies. Many smaller companies are responding to the weak economy, particularly in the Northeast, by not hiring for jobs that a year or two ago these companies said they could not fill because of a shortage of qualified applicants.

Orley Ashenfelter, a Princeton University labor economist, calls this failure to fill job openings a form of hidden layoffs, "in the sense that the openings disappear, rather than people in them."

The reluctance to take on new workers is reflected indirectly in the Labor Department's data on temporary workers — the workers supplied by companies like Manpower Inc. and Kelly Services Inc. Their numbers shot up to 1.2 million in 1989 from 400,000 in 1982.

See LAYOFF, Page 10



Source: Bureau of Labor Statistics. Figures are seasonally adjusted.

Merrill Lynch Reorganizes Core Units

Compiled by Our Staff From Dispatches

NEW YORK — Merrill Lynch & Co. on Monday announced a sweeping reorganization in which its two core groups — consumer markets and capital markets — would be broken down into six operating divisions.

The reorganization, the largest undertaken by Merrill since it formed the two-tier structure in 1984, was expected to result in hundreds of layoffs.

It also marks the start of the competition to succeed William A. Schreyer, the chairman and chief executive, who is scheduled to retire in 1993.

The new system at the largest U.S. brokerage was designed to focus responsibility for costs on each of the six divisions, Merrill said.

Unlike the system just done away with, the six divisions will not operate as separate entities in the Merrill holding company. Rather, Merrill's efforts will be coordinated throughout the firm. The result is that one layer of management — the positions of head of the consumer markets and capital markets divisions — will be removed.

Such a move by Merrill in some ways would mark a repudiation of a strategy begun in the mid-1980s, when the businesses were split into separate entities within the holding company.

The six new divisions are private client, asset management, insurance, investment banking, debt markets and equity markets.

Wall Street executives said the new lineup suggests the firm may well be returning to its historic focus on retail business.

Analysts, told of Merrill's planned action Sunday, reacted

positively to the move, saying it would probably bring greater cooperation within the firm, leading potentially to greater revenues.

"I would think it would be very beneficial to Merrill's overall profitability longer term," said F. Lee Long Jr., an analyst with Lipper Analytical Securities Inc. "When you have two separate groups in consumer groups and capital markets, people there are working for their own segment, and they are not always working for the benefit of Merrill Lynch & Co."

(NYT, Reuters)

Poles Without Cash Can Buy Stock With Coupons

By Steven Greenhouse

WARSAW — Almost 10 months after Poland's crash economic reform program began, the government has yet to turn a single large state-owned enterprise into a private company.

For months Poland appeared to be Eastern Europe's bold leader in setting up a capitalist economy, beginning its move to free the free market in January. But it has been hobbled by larger-than-expected obstacles that undermine the kind of difficulties which also face its neighbors, including the Soviet Union, in shedding their government-dominated economies.

After 45 years of communist rule, many constraints remain to brake most attempts to move rapidly. Most Poles do not have an inkling about stock ownership, and for decades Poland was off limits to investment banks and institutional investors. Probably the biggest problem is that millions of Poles are so poor they cannot afford to buy stock, let alone stock.

Frustrated by the snail's pace, Poland's minister of privatization, Waldemar Kuczyński, hopes now to start selling off companies as fast as he can.

"We have to do everything possible to accelerate the process, but we have to work

within the constraints we have," said Mr. Kuczyński.

The process was delayed for months by parliamentary wrangling over issues like how far the power of workers in privatized companies should be extended and whether workers should get discounts in buying shares in their companies.

This debate underlines how politically charged the process is. After all, it does mean selling off the nation's crown jewels, shabby though they may be.

On Sept. 27, the first step was taken to privatize some large enterprises: Seven were converted into shareholding corporations, even though they remain state-owned. They

World Airlines Face Big Losses From Gulf Crisis

By Barry James

DESPITE INCREASING numbers of passengers, airlines stand to lose up to \$2 billion on international operations this year because of higher fuel prices resulting from the Gulf crisis combined with increased user charges at airports, interest rates and labor costs, an industry conference was told Monday.

This compares with a profit of \$300 million in 1989 and \$1.8 billion the previous year.

Günter O. Eser, director general of the International Air Transport Association, which represents 200 airlines, told the organization's annual meeting in Geneva that worsening congestion in the air and at airports may make it harder for the airlines to emerge from their financial peril.

Jet fuel prices have shot up from a year-ago level of 54 cents a gallon (3.8 liters) to as much as \$1.50 a gallon.

Since fuel typically represents 15 to 25 percent of an airline's costs, the increase represents the biggest "cloud in the sky" facing the airlines, Mr. Eser said. Airlines serving the Middle East also are having to cope with sharply higher insurance costs and the disruption of their markets.

The Gulf crisis erupted when airlines already were having to tighten belts because of an increase in interest rates, higher user charges, taxes and wages, and changes in dollar values.

The prediction of steeply increased losses takes into account an increase of 5 to 8 percent in passenger fares agreed in August and cargo rates by 7 percent.

"The vulnerability of profit margins was clearly shown during 1989," Mr. Eser said. "On international scheduled services, profitability before interest was some \$2.6 billion. Interest charges rose by over 27 percent as rates rose and airlines competed for increasingly scarce capital in order to finance their fleet plans. As a result, net profit fell by 80 percent to \$300 million in 1989."

The airlines carried 210 million passengers and more than 7 million tons of freight on international scheduled services last year.

In Brussels, the Association of European Airlines, representing 21 scheduled carriers, said traffic to the Middle East declined by more than 15 percent in September compared to the previous year, a fact directly attributable to the Gulf crisis.

Less explicable was a slowing of passenger growth in Europe. It was up 7 percent on September 1989. In the first eight months of this year, growth increased by 12 percent on the corresponding period in 1989.

An IATA spokesman, John Brindley, said that although traffic was holding up, the industry was suffering from softening industry and sharply increased costs even before Iraqi troops invaded Kuwait.

"Airlines were not sure they were going to break even this year even before the crisis," he said.

"They were already thinking of cost-control measures before the boom dropped with the increasing cost of fuel."

Barring a severe recession, IATA members predict annual growth of up to 7 percent in both passengers and freight between 1991 and 1994, down from earlier forecasts of 10 to 12 percent.

Mr. Eser said that if even this softened forecast proves true, European air traffic control systems will be unable to cope with demand. "Many of the elements of the air transport infrastructure cannot cope with today's traffic," he said.

By taking advantage of lessened international tensions in Europe, it should be possible to free military air space to provide more routes and thus contribute to a necessary doubling of capacity, he said. But even then, it would remain "below the capacity available now in the Boston-New York-Washington triangle."

Unless major improvements are made to air traffic control systems and airports, Mr. Eser said, the losses in economic terms would total \$10 billion a year.

Remedial action, he estimated, would cost up to \$8 billion, which "means the pay-back period in most states would be no greater than one year."

Mr. Eser said the industry remains deeply concerned about terrorism because whatever the outcome of the Gulf crisis, the number prospect is that "one group or several groups of people will feel a sufficient sense of grievance to threaten the lives of air passengers."

French Pact Gives Hope To Czarist Bond Holders

The Associated Press

PARIS — Holders of turn-of-the-century Czarist Russian bonds worth billions of dollars on paper may finally be paid something under a Franco-Soviet treaty signed Monday.

Alexei Gukhlov, a Soviet diplomat, told Radio Monte Carlo that the new pact regulating financial problems between the two countries envisions settling the long-running dispute.

The pact signed Monday by President François Mitterrand of France and the Soviet leader, Mikhail S. Gorbachev, pledges French assistance as the Soviet Union shifts to a market economy.

"The treaty finally states that we want to regulate arrears, all arrears, meaning also the Russian bonds," Mr. Gukhlov said. An estimated 200,000 to 300,000 people in France can claim title to Russian bonds issued before the 1917 revolution. Lenin's government refused to honor Czar Nicholas II's debt.

Mr. Gukhlov said terms of honoring the bonds remain to be set. Edouard Champenois, spokesman for a group of bond holders, suggested they could be repaid through a levy on Franco-Soviet trade or refinanced through new loans floated by the Soviet Union.

The Soviet Union partially paid British holders of Czarist-era bonds in 1984 in exchange for London suspending portions of Moscow's debt.

THE LEGEND OF PARIS

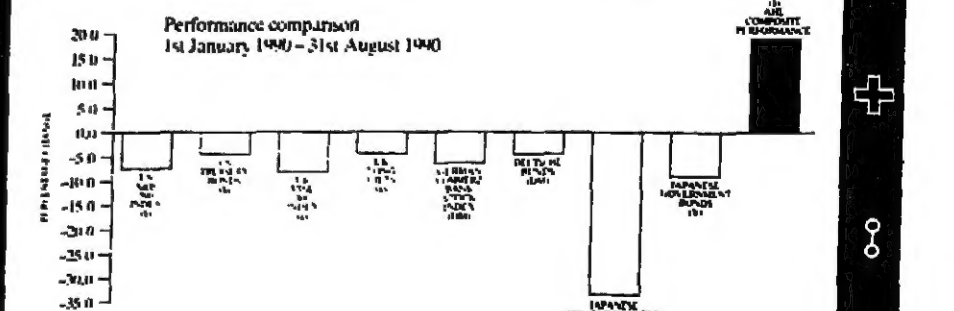
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German Inflation Highest in 7 Years

Compiled by Our Staff From Dispatches
BONN — The former West Germany had an annual inflation rate of 3.3 percent in October, the highest in seven years, the Federal Statistics Office said in a preliminary report on Monday.

The year-on-year rise compared with a 3.0 percent annual gain in September.

The cost of living rose 0.6 percent in October from September, the office said, blaming most of the rise on higher gas and heating oil prices caused by the Gulf crisis.

The report surveyed the cost of living in four of the 16 German states, which includes the five east-

ern states that became part of the Federal Republic Oct. 3.

The final figures will be published in about 10 days.

The inflation report came as a leading economic institute predicted that the economy in the western part of Germany would continue its boom over the next six months, while production will drop further in what used to be East Germany.

Retail sales in western Germany will continue to rise and probably hit a record high around Christmas, the report by the Ifo-Institute for Economic Research said.

The Ifo report said that in September 42 percent of the eastern German companies described their situation as bad. Demand fell 16 percent while production plunged 30 percent in September in eastern Germany, the report said.

It said only 2 percent of the companies expect to increase production in the next three months and 6 percent expect to raise output within the next six months, the report said.

The Ifo report said that despite higher oil prices and slight recessions in other countries, western Germany's economy will continue its boom.

But the report warned that inflation will climb more quickly than expected, because of higher gas prices caused by the Gulf crisis.

(AFP, UPI)

Midland Will Not Sell Finance House Unit

LONDON — Midland Bank PLC, one of Britain's major clearing banks, said Monday it had decided not to proceed with the sale of its Forward Trust Group finance house subsidiary.

Midland said present market conditions and the general deterioration in economic climate would make it difficult to sell Forward Trust, the third largest British asset-based finance house, at a satisfactory price.

Reprieve Is Likely For FN

The Associated Press

BRUSSELS — The ailing arms maker Fabrique Nationale Herstal SA is expected to win a few weeks' reprieve at an extraordinary shareholders meeting on Tuesday.

The FN spokesman Robert Sauvage said Monday the company's majority shareholder, Société Générale de Belgique SA, would probably agree to postpone for three weeks its final decision on FN's fate because of indications that a new partner was ready to invest in the company.

Mr. Sauvage said an executive of Groupement Industriel des Armes Terrestres of France had told FN union representatives on Friday that it would make an offer to become FN's majority shareholder.

"The workers were told that the offer was a firm one," Mr. Sauvage said.

He said the three-week extension would be used to finalize an agreement with GIAT.

An official of the Société Générale de Belgique said, however, that a new lease on life was not yet certain for FN.

Thomson Swung to Loss In First Half of 1990

Reuters

PARIS — Thomson SA, the French state-controlled electronics concern, said Monday that it had a net loss of 270 million francs (\$53.3 million) in the first half of the 1990, compared with a year-earlier net profit of 71 million francs.

Thomson also said that it expected full-year profits to be less than the 497 million francs it earned in 1989 because of heavier financial charges.

The company predicted that its revenue would decline slightly this year, to just over 75 billion francs, compared with a year-earlier 76.6 billion francs.

At the group level, Thomson said it had a consolidated net profit of 137 million francs, down sharply from 702 million a year earlier.

Thomson said its operating profit increased in the first half to 857 million francs from 807 million a year earlier. Interest income also rose, to 1.26 billion francs from 1.15 billion.

But its interest costs and other financial charges rose, leaving the company with the financial loss.

Thomson said the financial loss amounted to 729 million francs in the six-month period compared with a financial loss of 446 million francs a year earlier.

The company attributed the deterioration in its results to the increased need of its consumer-electronics group for working capital

and to reduced interest-earning cash balances at its Thomson-CSF unit.

Thomson owns about 56.2 percent of the defense electronics group Thomson-CSF.

Also weighing on the company's first-half results was a drop in income from associated companies. This income declined to 463 million francs from 889 million, mainly due to a reduced contribution from Alcatel Finance.

Turnover for the year is expected to drop because of lower sales at Thomson Consumer Electronics, reflecting weak North American markets and the drop in the dollar, and because of the effect of the Gulf crisis on Thomson-CSF's sales.

Thomson said that although financing charges and reduced contributions from associated companies will weigh on full-year results, operating earnings are expected to be stable and even to increase as a proportion of sales.

Unit of Volvo Launches Bid For Akermans

Reuters

STOCKHOLM — VME Group NV, a Netherlands-based maker of construction equipment, has made a friendly cash offer for the Swedish excavation equipment maker Akermans Verkstad AB, VME said Monday.

VME is jointly owned by Volvo AB of Sweden and Clark Equipment Co. of the United States.

The bid of 148 kronor (\$26.50) for each Akermans share values the company at 505 million kronor.

The Akermans board said the bid gave the company a solution in the face of hardening international competition, which made its future as a self-standing business uncertain.

"The board therefore recommends that shareholders accept the bid," it said.

GERMANY: Cautious Investors

(Continued from first finance page)

Wall Street due to strict U.S. disclosure requirements, but analysts say the problem takes on a special dimension in Budapest or Warsaw.

"We can basically understand straightforward businesses such as tourism or breweries, but the books for most East European companies have to be as clear as possible since we are dealing with a range of unknowns, including different legal systems and currencies," said Mr. Kuczyński of the Deutsche Bank funds.

Until East European exchanges have established a foothold and reach a certain size, analysts say that German investment will have to continue flowing mainly through joint ventures between German and East European companies.

Venture capital has never flourished in Germany because its universal banks have tended to seek out and adopt local entrepreneurial talent, occasionally bringing the better success stories to the market.

but keeping many others safely under the wing of the "house bank" for years and even for generations.

While this path is now likely to be taken by many firms in eastern Germany, it is unlikely to take root so easily further east.

As a result, much of the early German investment in promising East European efforts may well have to come from government programs. The new London-based European Bank for Reconstruction and Development as well as Germany's Bank for Reconstruction, which once channeled Marshall Plan aid to Germany's generation of *Wirtschaftswunder* entrepreneurs, are likely to play key roles in such pioneer work.

In a move that is likely to be typical, a fund was set up two weeks ago with initial capital of 100 million DM to help young Hungarians start new ventures. The fund will be financed in equal parts by the German Finance Ministry, the Hungarian government and the European Community.

Investor's Europe

Frankfurt
DAX

London
FTSE 100 Index

Paris
CAC 40

Exchange	Index	Monday Close	Prev. Close	% Change
Amsterdam	CBS Trend	97.20	96.80	+0.41
Brussels	Stock Index	5206.26	5225.92	-0.38
Frankfurt	DAX	1454.49	1457.05	-0.18
Frankfurt	FAZ	628.78	632.52	-0.59
Helsinki	UNITAS	405.30	404.80	+0.12
London	Financial Times 30	1600.00	1598.40	+0.10
London	FTSE 100	2062.10	2063.10	-0.05
Madrid	General Index	235.65	236.65	-0.43
Milan	MIB	919.50	928.90	-1.13
Paris	CAC 40	1627.90	1618.58	+0.58
Stockholm	Aftersvariden	897.28	930.93	-3.61
Vienna	Stock Index	530.77	547.21	-3.00
Zurich	SBS	537.00	538.80	-0.33

Source: Reuters, AFP

International Herald Tribune

POLES: Coupons-for-Stock Plan

(Continued from first finance page)

having trouble determining how much demand there is for shares.

Facing such obstacles, Mr. Kuczyński, formerly chief economic adviser to Prime Minister Tadeusz Mazowiecki, has to be creative and resourceful.

One way he hopes to capture the public's imagination is through his novel decision to place the Warsaw Stock Exchange in the monolithic white building that used to house the Central Committee of the Polish Communist Party.

"We hope the animal spirits of capitalism will help chase out the red devils," said Mr. Kuczyński in one of his first interviews since becoming the head of privatization in mid-September.

Mr. Kuczyński is being resourceful in other ways. Recognizing that many of Poland's 37 million people do not have the money to buy shares, he plans to give them scrip or coupons to acquire stock, an

idea that Czechoslovakia is also considering.

"We have to rely not just on real money, but fictitious money," he said.

Individuals will be able to sell the coupons or use them to bid for companies that are going public. People will bid against each other to buy shares in those companies they think are most attractive. In addition, Poles will be able to invest the coupons with mutual funds.

Mr. Kuczyński hopes to sell off companies far faster than Prime Minister Margaret Thatcher of Britain did because he says a rapid privatization campaign is needed to spur Poland's floundering state-owned enterprises. Where many managers feel little incentive to make their companies profitable or efficient.

"State-owned enterprises have shown very little capability of adapting to market forces," Mr. Kuczyński said. "That's why privatization has to be accelerated."

Privatization: In Italy, It Is Still a Dirty Word

MILAN — Privatization may be a rallying cry for economic policy-makers in Eastern Europe, but it is still a dirty word in Italy, where at least one out of six workers is employed by the state.

The Socialist Party leader, Bettino Craxi, is typically blunt. When asked recently about calls to privatize the state-owned banks fully, the former premier told reporters: "Forget it. The banks are not for sale and if anyone proposes it, we would rather sell him first."

But a series of scandals surrounding political appointments to key state companies, and the need to prepare state industries to compete in the single European market after 1992, have pushed the issue back to the fore.

Many economists say they are worried the weight of the state will become an increasing drag on Italy's economic performance after a decade of rapid expansion when the dynamism of the private sector made up for public-sector shortcomings.

"Frankly, I am worried," said Enzo Portacello, professor of industrial economics at

Catholic University in Milan. "Unfortunately, our state companies have not done what they should have done and the politicians have made things worse."

As East European leaders are busy loosening central control of their economies, the Italian state continues to employ about 17 percent of the work force, not counting agriculture—a far higher proportion than in any other major Western nation.

The list of state holdings throws up such curiosities as tomato canneries and highway restaurants, besides the postal, air and rail and telephone systems.

But through such giants as the Istituto per la Ricostruzione Industriale, the industrial holding company, and ENI, the energy group, the state also controls companies in engineering and telecommunications equipment, aeronautics and chemicals.

Critics blame much of the state sector's problems on politicians who have turned state industry into personal fiefdoms where favors can be earned and repaid.

"The ever greater interference of party politicians in the management of the state industries and banks" is one of the great problems of the Italian economy, said Mario Monti, rector of Bocconi University in Milan, Italy's largest business school.

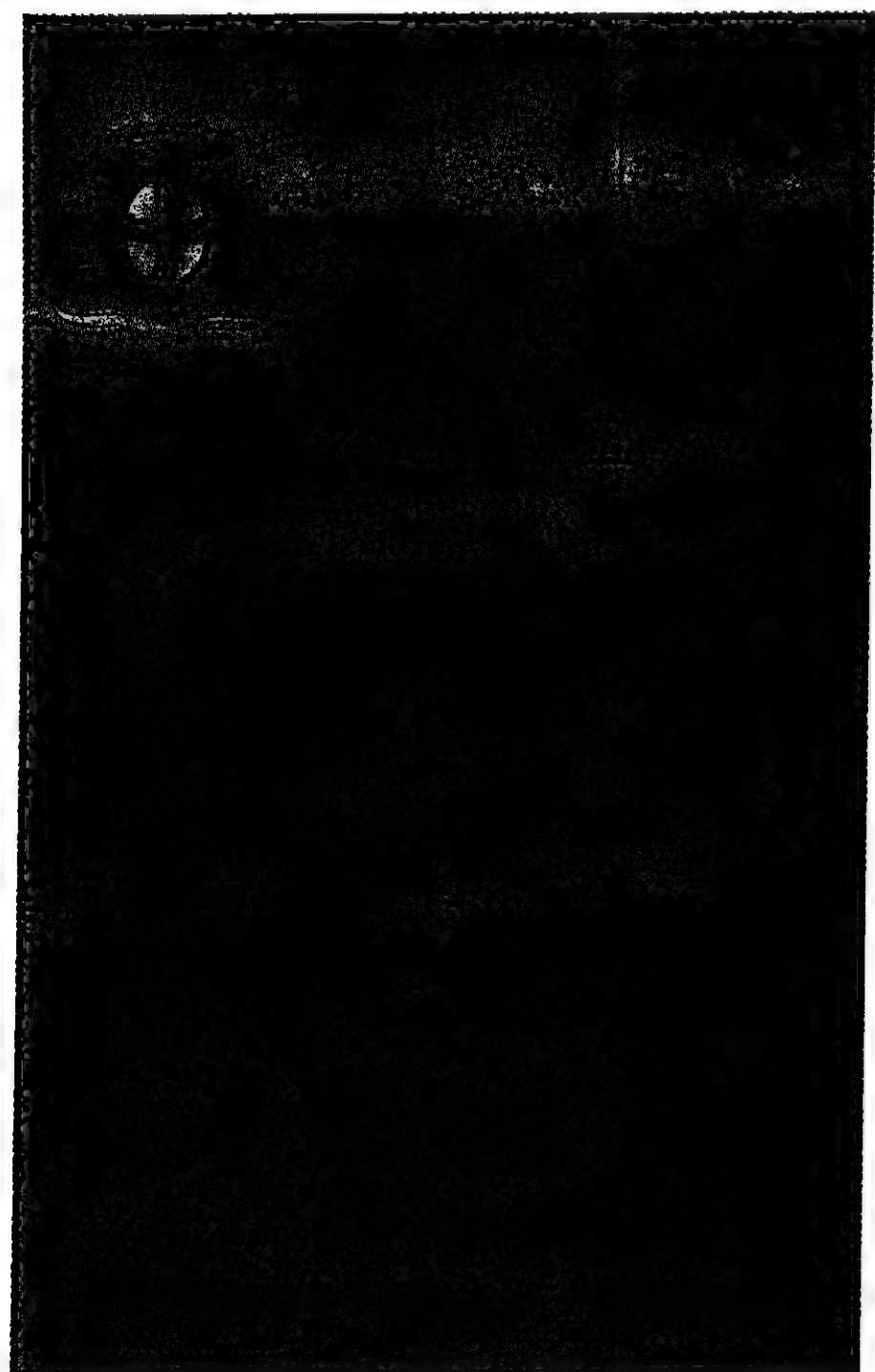
During the 1980s, when first Britain and then France undertook heavy privatization programs, the Italian state sector did seek to offload some of its fringe interests.

Italian politicians argue that it is impossible to adopt the British or French model because the Italian private sector is so heavily dominated by a handful of huge corporations.

A sweeping program of sales might simply result in a transfer of ownership from the state to such companies and industrialists as Fiat SpA, Raul Gardini's Gruppo Ferruzzi, Carlo De Benedetti or Pirelli SpA, they say.

"Personally, I am in favor of privatization," Prime Minister Giulio Andreotti said in a recent interview. "But I make just one observation: Who will be the buyers? The usual bunch we already know so well," he added in answer to his own question.

ALL THE PROTAGONISTS OF THE SEA HAVE BEEN INVITED.



GENOA, MAY 15TH - AUGUST 15TH, 1992
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Christopher Columbus, a Genoese, discovered the New World in 1492. In 1992, to mark the fifth century of this fundamental undertaking, a Specialized International Exhibition "Christopher Columbus: Ships and the Sea" is to be mounted in Genoa. It will be a meeting of the great maritime civilizations. To celebrate and illustrate the story of seafaring. And to look toward the future of the sea with presentations on projects and new technology. The exhibition site will be Genoa's Old Harbour. Designed by architect Renzo Piano and to be realized by the Iri Group Company Italmobiliare. It will be a restoration of the ancient port. A complete recreation of its unique dockside structures and buildings. As a result the town will regain its original "heart". The "heart" from where Genoese civilisation sprang and has since developed. In addition the whole complex will remain as an important multi-functional centre after the exhibition is over. 1992, therefore, is an important date for all the seafaring nations of the world. One they cannot afford to miss. As they meet on the threshold of the next millennium to forge a new bond between man and the sea.



Columbus 1992: the civilisations of the sea meet in Genoa.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

The shareholders of GT BIOTECHNOLOGY & HEALTH FUND are hereby convened to an extraordinary general meeting to be held in Luxembourg on November 8, 1990 at the offices of BANQUE INTERNATIONALE A LUXEMBOURG, 69, route d'Esch, L-1470 Luxembourg, at 11.30 a.m. in order to amend the Articles of Incorporation so as to adjust them in order to satisfy the requirements of the law of 30th March, 1968 regarding collective investment undertakings and to the opportunity to implement changes to the law of 10th August, 1915 on commercial companies.

The agenda is as follows:

- To substitute in Article 3, Article 31 and wherever it occurs, the references to the "Law of 25th August, 1968", references to the "Law of 30th March, 1968", regarding collective investment undertakings."
- To replace the first sentence of article 6 so as to read as follows: "Shares may be issued in bearer or registered form at the option of the Board of directors."
- To delete in Article 10, first sentence, the reference to "and for the first time in 1987".
- To delete in Article 11, second paragraph, the reference to "subject to the limitations imposed by law and by these Articles".
- To delete the references to the statutory auditor in Articles 12, 13, 25 and 27 and wherever it occurs.
- To replace the provisions of Articles 20 by the following: "The Corporation shall appoint an auditor who shall carry out the duties prescribed by the law of 30th March, 1968 regarding collective investment undertakings. The auditor shall be elected by the General Meeting of Shareholders and shall hold office until his successor is elected."
- To complete and to change the provisions of Article 22 as follows: "The Net Asset Value of shares in the Corporation and the issue and redemption price shall be determined from time to time..."
- To amend in Article 22 sub-paragraph (c) by adding the words "or market" after "any stock exchange".
- To amend in Article 23 sub-paragraphs (A) (3) and (4) so as to read as follows: "3) The value of securities dealt in on any other regulated market or on the over-the-counter-market is based on the last available price.
4) In the event that any of the securities held in the Corporation's portfolio on the relevant day are not quoted or dealt in on any stock exchange, regulated market or over-the-counter market or if, with respect to securities quoted or over-the-counter market, the price as determined pursuant to sub-paragraphs 2) or 3) is not representative of the fair market value of the relevant securities, the value of such securities will be determined based on the reasonably foreseeable sales price determined prudently and in good faith."
- To replace in Article 23 the provisions of sub-paragraph B) by the following: "(c) all other liabilities of the Corporation of whatever kind and nature. In determining the amount of such liabilities the Corporation shall take into account all expenses payable by the Corporation which shall comprise formation expenses, fees and expenses payable to its directors, investment advisers or investment managers, accountants, custodian, domiciliary, registrar and transfer agents, any paying agents, subscription and redemption agents and permanent representatives in places or registrations, and other agent employed by the Corporation, fees for legal and auditing services, promotional, printing, reporting and publishing expenses, including the cost of advertising or preparing and printing of prospectuses, explanatory memoranda, registration statements or annual and semi-annual reports, stock exchange listing costs and the costs of obtaining or maintaining any registration with or authorization from governmental or other competent authorities, taxes or governmental charges and all other operating expenses, including the cost of buying and selling assets, interest, bank charges and brokerage, postage, telephone and telex. The Corporation may calculate administrative and other expenses on a regular or recurring nature on an estimated figure for yearly or other periods in advance, and may accrue the same in equal proportions over any such period."
- To delete Article 25 and remember the subsequent articles and the references thereto accordingly.
- To delete in Article 26, first paragraph, the reference to "with the exception of the first accounting year which shall begin on the date of formation of the Corporation and shall end on the thirty-first of March, 1987."
- Any other changes required by the Luxembourg supervisory authorities or deemed necessary by the legal advisor of the Fund.

Resolutions in the agenda of the Extraordinary General Meeting will require a quorum of at least 50% of the outstanding shares and will be adopted if voted by 2/3 of the shares voting.

In order to take part at the meeting of November 8, 1990, the owners of bearer shares will have to deposit their shares five clear days before the meeting with Banque Internationale A Luxembourg, 69, route d'Esch, L-1470 Luxembourg.

The Board of Directors

China Slump Eases But Change Is Out

By Nicholas D. Kristof

New York Times Service

BEIJING — China appears to be easing out of its worst economic slump in a dozen years, but economists say the recovery will be slow and painful and that there is no sign of any significant move toward a market economy.

A few months ago, there were some tentative hints that China might lift price controls and adopt other market-oriented changes.

But these days the central planners are again dominant, and drafts of the five-year plan that will take effect in January reportedly contain little in the way of a commitment to change.

Still, Chinese officials, in public at least, are emphasizing the good news: Industrial production is rising again.

At the beginning of this year, some diplomats and Chinese thought that the economy might continue to deteriorate and lead to large numbers of factory closures and new protests, but that risk seems to have receded.

"The economy is now taking a turn for the better, thereby promoting political and economic stability," Zhang Zhongli, spokesman for the State Statistical Bureau, said at a news conference last week. He noted that industrial output in September climbed 7.5 percent from above the same period a year earlier, the best performance since July 1989, a month after the military crackdown helped to push the economy into a slump.

Mr. Zhang also noted other good economic news:

• A bumper harvest, including a record 420 million tons of grain, is expected this year.

• Inflation has been subdued, and the index of retail prices stood last month only 1 percent higher than a year earlier.

• China's foreign exchange reserves are rising because of a strong trade surplus, which totaled \$4.9 billion in the first nine months of this year.

Yet some official reports acknowledge that the situation is still grim, and most ordinary Chinese apparently feel the same way.

Beijing workers say that in recent days they have been summoned to meetings in which officials have said to them a document announcing hefty price increases in coal, cooking gas, natural gas, electricity and other necessities.

The price of the ubiquitous cakes of coal that are used as fuel in Chinese homes all winter soared 50 percent, the document disclosed.

"Of course, we're unhappy," said

a worker in his 20s. "But what are we to do? The government spent so much money on the Asian Games that they have to get it back somehow."

The price increases have invited some sarcastic comments at these worker meetings, but no strikes or other significant indications of rebelliousness have been reported.

Seasonally adjusted production figures, developed by Rock Creek Research Inc., an American consulting firm, show China's industry generally improving since March.

But Rock Creek's figures underscore the problems that remain: Its models suggest that industrial growth slumped badly in July and August of this year.

Likewise, inflation is subdued now, but the government has sharply eased credit this year to stimulate the economy, providing \$20.4 billion in additional loans in the first eight months of 1990.

Government payments to farmers for the grain harvest in coming months will also expand the money supply and perhaps lead to inflationary pressures, after a lag of six months or more.

One of the main reasons for the economic slowdown was that consumers simply stopped buying goods.

What pains many economists, Chinese as well as foreigners, is that the government has not made use of the slowdown to rationalize prices and introduce a restructuring.

Moreover, the economic purpose of a recession, to weed out inefficient companies, is neglected in China because the state always protects companies from bankruptcy.

"There hasn't been any fundamental structural change accompanying this recession," said a Western economist in Beijing. "The fundamental problems are still here. I don't believe state enterprises are one iota more efficient now than they were two years ago."

With state enterprises on the ropes, the recovery is coming from the sectors that have been most pummeled by the central planners, but that have still managed to maintain a measure of vitality.

Of the 7.5 percent industrial growth in September, for example, the state sector saw growth of only 3 percent, while rural collective enterprises grew 9.4 percent, and the tiny sector that includes private businesses and joint ventures soared 57.7 percent.

Many economists would be more optimistic if they saw signs that the government was embracing proposals for structural change.

New Oilfield Is Test for Troubled Papua

By Michael Richardson

International Herald Tribune

The outcome of an international consortium's proposal to spend \$800 million on developing a major oil field in the mountainous jungle of Papua New Guinea is seen as a critical test of whether the resource-rich but politically-troubled South Pacific country can attract large-scale foreign investment to help revive its ailing economy.

Oil industry analysts in Australia and Singapore said Monday that a decision by the government in Port Moresby is expected within the next few weeks.

The consortium — led by Chevron Nuijini Pty., a unit of Chevron Corp. of the United States — applied in May for a development license to bring three adjacent oil fields near Lake Kumubu in the southern highlands of Papua New Guinea into production by late 1992.

Under the plan, a 260-kilometer (160-mile) pipeline would carry crude oil from the Kumubu project to a marine terminal on the Gulf of Papua for export, probably to refineries in East Asia, the United States or Australia.

Chevron executives said that at peak production the field would generate 95,000 barrels of crude per day, far above Papua New Guinea's consumption of about 16,000 barrels per day.

It would turn the country, which has a population of 3.7 million, into a substantial oil exporter to the Asia-Pacific region, where demand for oil has been rising fast.

Chevron has a 25 percent stake in the Kumubu venture. The other shareholders are BP Petroleum Development of Britain with 25 percent, Ampol Petroleum Ltd. of Australia with 21.25 percent, BHP Petroleum Ltd. of Australia

with 12.5 percent, Oil Search Ltd. of Papua New Guinea with 10.02 percent and Merin Petroleum of Japan with 6.25 percent.

With other foreign companies eyeing the country's natural resources, Prime Minister Rabble Namahua is anxious to ensure that the Kumubu project goes ahead on schedule.

"If the government fails to gain approval for the project, it will be a very bad signal for

If the government fails to gain approval for the Kutubu project, it will be a very bad signal for foreign investment.

foreign investment," said Duncan Clarke, managing partner of Global Pacific Pty., an oil consulting company based in Sydney.

Lesley L. Bendig, an oil and gas specialist in the Singapore office of Arthur D. Little Far East Inc., said the country is one of the most expensive and difficult in the world for petroleum exploration and development. With rugged mountains, dense jungle and few roads into the interior, "basically everything has to be flown in by helicopter," she added.

The government hopes to clear the Kumubu project with all parties concerned next month. Mr. Clarke said this is imperative "because the last thing Mr. Namahua wants to end up with is another Bougainville situation."

Bougainville Copper Ltd., a giant copper and gold mine on Bougainville Island 800 kilometers northeast of Port Moresby, was forced to

close in May 1989 by disgruntled local landowners and armed secessionists. Before the closure, Bougainville Copper, controlled by CRA Ltd. of Australia, which in turn is 49 percent owned by RTZ Corp. of Britain, provided 40 percent of Papua New Guinea's export earnings and 17 percent of state revenue.

Following the closure, the economy of Papua New Guinea shrank 3 percent after adjustment for inflation in 1989 and a further 4 percent shrinkage is expected this year. In response, the government has cut expenditure and sought to encourage foreign investment.

On a visit to the United States last month, Mr. Namahua tried to allay concerns of foreign businessmen, asserting that Papua New Guinea would remain united and "offers unparalleled opportunities for investment."

He said the government had developed a consultative mechanism for villagers, landowners, mine operators, local authorities and the national government in Port Moresby to agree on terms for new resource projects.

Mr. Namahua added that the process, which includes provision for compensation and equity rights for local interests, had been used to bring two large gold mines into production on schedule this year.

However, some nationalistic members of the government have demanded that Papua New Guineans, not the Chevron-led consortium, should control the proposed export pipeline. Local politicians have also demanded that the group build a large oil refinery to process the crude from Kumubu.

Yaungine Koromba, premier of the Southern Highlands province, warned that if the consortium refused these demands, Kumubu could become "another Bougainville."

Investor's Asia

Exchange	Index	Monday Close	Prev. Close	% Change
Hong Kong Hang Seng		3063.53	3050.88	+0.41
Singapore Straits Times		1177.11	1174.99	+0.18
Sydney All Ordinaries		1344.70	1354.80	-0.75
Tokyo Nikkei 225		25329.31	25005.84	+1.29
Kuala Lumpur Composite		504.84	500.94	+0.76
Bangkok Book Club		604.41	602.37	+0.34
Seoul Composite Stock		720.89	735.01	-1.92
Taipei Weighted Price		3399.05	3316.36	+0.22
Manila Composite		608.19	616.39	-1.65
Jakarta Stock Index		732.61	437.76	+67.35
New Zealand Barclays		1372.74	1408.29	-2.52
Bombay National Index		Closed	646.67	

Sources: Reuters, AFP International Herald Tribune

Officials Quit In Sumitomo Bribery Case

Agence France-Press

TOKYO — Japan's Sumitomo business group, involved in a widening loan scandal, was embarrassed further on Monday when the head of its associated construction company stepped down to take responsibility for a bribery case.

Shozo Kusumoto, president of Sumitomo Construction Co. and Takeyuki Saito, the chairman, resigned their posts, the company said.

Four officials of Sumitomo Construction, including the executive director, Ichiro Nasu, were arrested last month on charges of bribing local government officials in exchange for a road construction deal in Kawasaki in western Japan.

The business group has also been rocked by the loan scandal, involving Sumitomo Bank, Mitsui Trust Bank and Sanwa Bank.

Yen and Stock Prices Rise in Tokyo

By Patrick L. Smith

International Herald Tribune

TOKYO — While the U.S. budget accord pushed the yen and Tokyo share prices higher Monday, mitigating factors in both markets restrained the dollar's fall and put a lid on gains in the stock market, dealers and analysts said.

The muted response to the week-end budget agreement, they said, was taken here as a signal that the dollar may not have much further to fall — nor Tokyo shares much further to rise.

While the dollar opened broadly lower in Tokyo on expectations of lower post-budget interest rates in the United States, dealers said the view that it has been oversold in recent weeks, combined with the unchanged situation in the Gulf, brought out buyers who quickly stabilized it.

Profit-taking among yen-holders and short-covering of dollar positions was evident all day.

The dollar ended at 127.35 yen, down 1.15 from Friday's Tokyo close and 0.8 yen lower than the

later New York finish. Almost all of the drop was recorded in morning trading. Spot volume was \$6.03 billion, compared to Friday's \$10.61 billion.

Tokyo stocks rose chiefly on the view that, while Japanese rates may not fall substantially, lower U.S. interest rates would at least ease upward pressure on Japanese rates in coming months.

At the same time, the government's report last week of higher-

than-expected increases in consumer prices appeared to cast a continuing shadow over the stock market, analysts said.

The government reported Friday that Tokyo consumer prices, a widely watched gauge of national trends, rose 3.1 percent in October from a year ago, based on a monthly spot survey.

The Nikkei average of 225 industrial stocks ended at 25,329.31, up 323.67 from Friday.

Adsteam Shares Fall to 6-Year Low

Reuters

SYDNEY — Shares in Adelaide Steamship Co. fell Monday 42 cents to a six-year low of 1.68 Australian dollars (\$1.31) before bouncing back to close at 1.76 dollars, still well below the close on Friday of 2.10 dollars.

They have fallen from a 1990 high of 6.60 dollars on negative reports about the company's debt, estimated by some analysts at 6 to 7 billion dollars and about the

group's reliance on investments in other Adsteam group companies for profits.

Monday's fall partly reflects the share price being adjusted because of the payment of a final dividend of 25 cents and a fall in the overall stock market.

Turnover of over 1 million shares, though only 0.3 percent of issued capital, was higher than normal and thought to be due to selling by small investors.



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ASEAN Is Called On To Expand Ties

Compiled by Our Staff From Dispatches

JAKARTA — President Suharto urged the business community on Monday to do more to expand cooperation within the Association of Southeast Asian Nations, including the formation of more industrial joint ventures in the six member nations.

"We must make further efforts to create more meaningful and effective intra-ASEAN economic cooperation," he told delegates to the annual meeting of the organization's economic ministers.

The delegates, from Indonesia, Malaysia, Singapore, Thailand, the Philippines and Brunei, moved to the four-star island of Bali later in the day to start the two-day meeting, aimed at improving investment ties with the United States.

Mr. Suharto also urged attention to reducing barriers to economic cooperation within ASEAN.

"In such a dynamic world, we must continue to encourage the efforts to establish free, fair and equitable trade whereby all nations can share the potentials and opportunities the world has to offer," he said.

He called for speedy implementation of the regional preferential trading arrangement and for rolling back nontariff barriers.

The Asia-Pacific region "has rapidly intensified its economic activities, resulting in a continuing shift in economic strength towards this part of the world," Mr. Suharto said.

At their meeting last December in Brunei, the ministers agreed to list 90 percent of all ASEAN trade commodities under the preferential arrangement by 1994. This year the number was increased by 500 to 15,300 items.

The arrangement, however, has not been effective in boosting intra-ASEAN trade, said Paim Naing-golan, the foreign trade director general.

Indonesian exports to other ASEAN countries amounted to only \$2.4 billion of the country's total exports of \$22.16 billion last year.

Singapore alone accounted for \$1.8 billion of Indonesia's exports to other ASEAN countries last year.

The Indonesian Trade Minister Arifin Siregar said ASEAN had made much progress in establishing cooperation with other international bodies but not as much among the member countries.

He said the ASEAN business community had not shown enough enthusiasm for government efforts to expand cooperation.

"Perhaps we should intensify public relations activity so that they are aware of the existing opportunities," he said. (AP, UPI)

Political Woes Hurt Bombay Shares

Reuters

NEW DELHI — The political crisis rocking Prime Minister Vishwanath Pratap Singh's government has subdued India's stock market and authorities have clamped an indefinite ban on forward trading to prevent a collapse, stockbrokers said Monday.

Bombay Stock Exchange authorities imposed the ban on forward trading, or purchase and sale transactions for completion at some future date, last Wednesday and stockbrokers boycotted trading for two days in protest.

"The ban will continue as long as the situation warrants," said M.R. Mayya, the exchange's executive director. "We will decide whether or not to remove it as events unfold."

Mr. Mayya added that the ban "is aimed at curbing speculation and to protect the interests of genuine investors who have entered the market in large numbers in recent months."

The Bombay exchange, the biggest of India's 18 markets, climbed to a 1990 index high of 1,504.09 on Sept. 26 from 752.33 a year ago. However, the index closed Friday at 646.67. The exchange was closed Monday.

Mr. Singh's minority government is on the brink of collapse after its major ally, the Hindu revivalist Bharatiya Janata Party, withdrew its support. The crisis erupted after the government arrested the BJP president, Lal Krishna Advani, last Tuesday to stop him marching to the northern town of Ayodhya to begin construction of a temple on a site claimed by both Hindus and Muslims.

More than 80 people have died in clashes between Hindus and Muslims since Mr. Advani's arrest, but Hindu fundamentalists have vowed to begin the temple on Wednesday.

The crisis, coming close on the heels of caste violence in protest at a government jobs plan and a sharp rise in oil prices, has shaken investors' confidence built up over the last year.

President Ramaswamy Venkataraman has asked Mr. Singh to prove that his legislative coalition is still intact on Nov. 7.

The National Front government is expected to be voted out and political analysts and stockbrokers believe this will pave the way for another minority government or elections.

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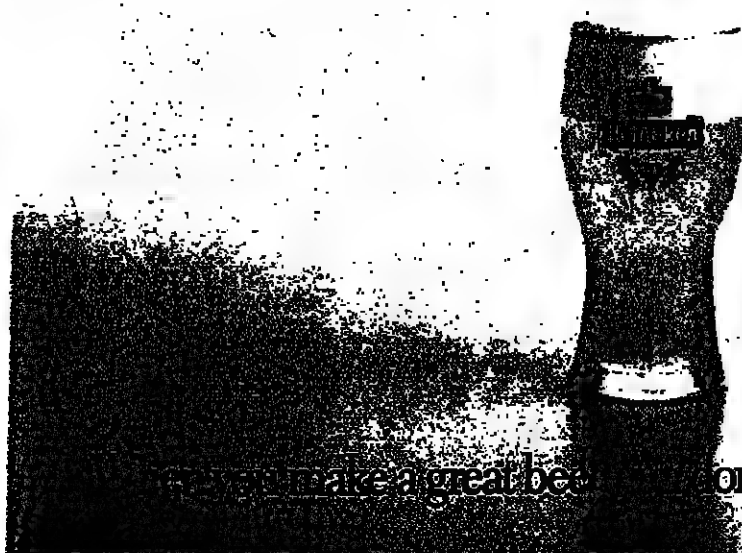
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Monday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press.

High Low Stock		Div	Yr	PE	100	High	Low	P.A.M.
A								
379	99	AAR	12	44	7	368	119	109
380	99	AAW	12	12	1	119	109	109
381	119	99	ACM	11	123	113	104	+
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Alt	High	Low	Stk	Div	Yld	P/E	5Ys	High	Low	% Chg	P/B	Yld
3%	12	10	WLT	0	12	12	12	12	12	12	12	12
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6%	12	10	WLT	0	12	12	12	12	12	12	12	12
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44%	12	10	WLT	0	12	12	12	12	12	12	12	12
45%	12	10	WLT	0	12	12	12	12	12	12	12	12

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(Continued on next page)

NYSE Highs-Lows[illegible]

AMEX Highs-Lows

NEW HIGHS 2			
Eco Corp	MSR	EW	
NEW LOWS 47			
AM Int'l Int	AmBStk	Am Trak	Applwor
Baldwinch	BolFair	BoatCll	BioCo
BolFair	Casodent	CoastlAm	Calatun
Chico wty	Creswlv	CoastlAA	Crnkpr B
DynastyTV	EcoGroup	FrtchsRCA	GovindCON
Enviro	Genlita B	Internatn	Leiner
MIP Pro	GlennCo	MaxImm	MedtrnCR
MounMed	NIHINCh	Navstar	NorthWld
Ortel, Jty of	Peters/MI	ReaganBro	SierCo
Sealling	TEC Comm	TherapInc	Transm
TransCn B	TurnerCo	UnivInt'l	Unim



Discover gold

[illegible]

(Continued)

2 Month		Div	Yld	PE	Sts 100s	High		Low		P.M.	Chg
High	Low					Stock	High	Low			
5	18 1/2	MaxFin pf	2.00	10.0	-	2	18 1/2	18 1/2	18 1/2	+	1/2
1 1/2	8 1/4	MaxEd n	-	-	-	43	9 1/2	8 1/4	8 1/4	-	1/2
7 1/2	8 1/4	MaxEd	4 1/2	2.5	-	203	17 1/2	17 1/2	17 1/2	-	1/2

[illegible]

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14%	15%	16%	17%	18%	19%	20%	21%	22%	23%	24%	25%	26%	27%	28%	29%	30%	31%	32%	33%	34%	35%	36%	37%	38%	39%	40%	41%	42%	43%	44%	45%	46%	47%	48%	49%	50%	51%	52%	53%	54%	55%	56%	57%	58%	59%	60%	61%	62%	63%	64%	65%	66%	67%	68%	69%	70%	71%	72%	73%	74%	75%	76%	77%	78%	79%	80%	81%	82%	83%	84%	85%	86%	87%	88%	89%	90%	91%	92%	93%	94%	95%	96%	97%	98%	99%	100%
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NEW CHALLENGES

Capital spending on fixed assets increased in the first half of 1990 by 5% compared with the same period last year to DM 1.5 billion. In addition, some DM 250 million was invested in non-consolidated affiliates in the oil sector.

The developments in the area of the former GDR are opening up new challenges and prospects for all of the Group's divisions for years to come. Initial projects are in the planning process. PREUSSENELEKTRA will take a part in the production of energy and in the distribution in the districts of Rostock, Neubrandenburg, Magdeburg, Potsdam and Frankfurt/Oder. VKR is planning activities in the electricity sector and in waste disposal. HÜLS is negotiating with several chemical companies. VEBA OEL considers investments in the petroleum refining and petrochemical sectors as well as in the distribution of petroleum products. The trading companies STINNES and AAB KARCHER are already represented in numerous locations. Together with partners, VEBA WOHNEN is developing projects in the real estate sector.

ken in 1986. With some 543.000 shareholders, 97% of whom are private persons, VEBA is among the European companies with the largest numbers of shareholders. 43% of the share capital is in the hands of foreign shareholders. Of this, 31% is held in European countries.

INCOME STATEMENT		1/1 - 30/6/89	1/1 - 30/6/90	Changes
Sales	DMm	24,434	26,076	+ 6.7%
Group net income	DMm	397	391	- 1.5%
Capital spending (fixed assets)	DMm	1,222	1,638	+ 25.9%
Employees (31/12/89, 30/6/90)		94,514	103,358	+ 9.4%

We shall be pleased to send you our interim report for the first half of 1990 together with the Analysis of VEBA Stock Ownership. Write to us at: VEBA AG, Karl-Arnold-Platz 3, 4000 Düsseldorf 30, West Germany

VEBA

SPORTS

Giants Foil Redskins in Final Minutes

By Richard Justice

EAST RUTHERFORD, New Jersey—A game that began in a light rain and was finished in a cold, swirling sleet ended with the Giants' Steve Watson, running back, with his head buried in hands and the Washington Redskins wrapped around another loss to the New York Giants.

The Redskins flinched with what would have been an emotional victory before

NFL ROUNDOUP

again suffering a painful defeat, 21-10, before 75,331 at Giants Stadium. The Giants (7-0) defeated the Redskins (4-3) for the sixth straight time.

"Sometimes, you're not sure why things happen in life," said Joe Gibbs, coach of the Redskins.

This one slipped away in the final minutes, as the Redskins, after being dominated and seemingly on the verge of a blowout most of the first half, rallied from a 14-0 deficit to get within 14-10 in the second half.

They drove to the New York three-yard line, and on second and goal Humphries threw to an open Byner in the end zone. But the ball bounced off Byner's hands and chest and over his right shoulder, where it hung for a moment before settling into the arms of safety Greg Jackson.

If the Giants gained the emotional edge after that play, they physically finished the Redskins four minutes later when the cornerback, Emerson, Walls stepped in front of Art Monk at the 28, intercepted a pass from Humphries and returned it for a touchdown and 21-10 lead with 4:34 remaining.

Humphries was knocked down and, for a moment, when his head caught a helmet and the turf while going down. He also suffered a severely bruised left shoulder on the third play of the game and a mild concussion on his final one, but he was not expected to miss Sunday's game against Detroit.

"That ball bounced off Emerson's hands and sometimes that happens," Humphries said. "Maybe I threw the ball too hard. It goes both ways. It wasn't just one thing."

Humphries completed 19 of 28 passes for 141 yards and three interceptions — two by Walls.



Everson Walls of the Giants had to hand it to himself after he intercepted a pass and returned it for a touchdown.

The Giants' Phil Simms, completed 15 of 24 passes for 145 yards and two touchdowns. He threw to Stephen Baker for a four-yard touchdown and to Mark Bavaro for a 16-yard score.

"The division is totally up to us," said Lawrence Taylor, the Giant linebacker. "We have a three-game lead on everybody, so there's no reason for us not to win the division unless we do something stupid and mess it up ourselves."

In other games, The Associated Press reported:

49ers 20, Browns 17: Joe Montana struggled in the second half in San Francisco before taking the 49ers 44 yards in seven plays and setting up Mike Cofey's 45-yard field goal with five seconds remaining for the 49ers' 15th consecutive victory.

After getting possession at their own 28, a pass-interference penalty against Mike Sherrard pushed the 49ers back 10 yards before Montana got them going.

Montana, who had completed four of 16 passes for 31 yards in the second half before the game-winning drive, connected with Sherrard for 35 yards to the Cleveland 41. He then ran twice for three yards each and hit Jerry Rice for a five-yard gain with nine seconds left.

Montana completed 17 of 37 passes for 185 yards with one touchdown and two interceptions. It was the second time since Oct. 24, 1988, that he failed to complete 50 percent of his passes.

Falcons 38, Bengals 17: Deion Sanders returned a punt 79 yards for a touchdown, and Scott Case set up two others with an interception and fumble recovery in Atlanta. Chris Miller hit Floyd Dixon with scoring passes of three and 11 yards, and Steve Broussard ran 50 yards for a touchdown.

The victory was a measure of revenge for Atlanta's coach, Jerry Glavine, and Mike Rozier, who were with Houston last year when Sam Wyche's Bengals rolled up a late-season 61-7 victory. Sanders' punt return early in the third quarter was the longest punt return in Atlanta history.

Bears 31, Cardinals 21: Neal Anderson had a pair of two-yard touchdown runs, and Jim Harbaugh passed and ran for two more in Tempe, Arizona. Anderson has 10 of the Bears' 14 touchdowns this season.

Chicago led, 28-0, in the first half and held on for its third straight victory. Phoenix rallied behind Timm Rosenbach, who completed 18 of 30 passes for two touchdowns and a career-high 256 yards but was sacked four times.

Chargers 41, Buccaneers 10: In San Diego, Marion Butts had three touchdowns runs, and the Chargers intercepted four passes by Chris Chandler, who was substituting for the injured Vinny Testaverde. Tampa Bay committed seven turnovers, helping San Diego to its highest point total of the season.

The Chargers won at home for the first time in four tries this season. Gill Byrd had two interceptions, pushing his career total to 30, a club record.

At Saratoga, Final Farewell

Breeders' Cup Horror Reveals the Cruel Truth About the Sport of Kings

By Andrew Beyer

Washington Post Service

SARATOGA SPRINGS, New York—Go for Wand, the filly who broke a leg in the Breeders' Cup Distaff, was to be buried Monday at the site of two of her greatest triumphs, her owner said.

The 3-year-old was to be buried in the infield of Saratoga Race Course, where she won the Test and Alabama Stakes this summer.

The New York Racing Association had offered to bury her at Belmont beside Ruffian, who died after breaking down there in a 1975 match race with Foolish Pleasure. Shaker Knit and Mr. Nickerson, who co-learned in another Breeders' Cup race, will be buried at Belmont.

NEW YORK—Until the final yards, the duel between Go for Wand and Bayakoa in the Breeders' Cup Distaff had been a classic, one of those races that lovers of the sport would be watching on film 20 years from now. Instead, it became a spectacle that you can't stand to watch again, as Go for Wand snatched her ankle, collapsed, and then struggled to get up again, only this time on three legs.

In the aftermath of any disaster, people invariably look for explanations, or for culprits. Most who watched, horrified, as Go for Wand was destroyed were surely speculating how this misfortune could have been avoided.

But horse trainers, owners and veterinarians all know the distressing answer to that question: It couldn't. When Bayakoa's trainer Ron McAnally was interviewed in the winner's circle after the Distaff, he said sadly: "This is part of the game." Certainly, there have been many cases where breakdowns of

horses have been avoidable, notably when owners and trainers abuse horses for economic expediency. In the 1970s, there was a justifiable public outcry about the use of drugs like butazolidin that made thoroughbred racing run on pain should have been telling them to stop. But such medications are illegal in New York and, besides, Go for Wand had been managed judiciously by Billy Badgett, who said Sunday: "She was the soundest horse I've ever trained in my life."

Go for Wand, a 3-year-old filly, had been entered in the Distaff because Badgett thought that running her against males in the \$3 million Classic would have been too stressful for her. Often, breakdowns may be traced to racing surfaces, and this was a popular suspicion Saturday at Belmont Park—especially in view of the fact that two horses had gone down in the Sprint, an hour before Go for Wand's demise, and two others had broken down the day before. But Belmont has always been a well-maintained track, neither too hard nor too deep.

In any event, the mishaps in the Sprint surely had nothing to do with the condition of the track, for the colt Mr. Nickerson dropped dead of an apparent heart attack and Shaker Knit fell over him. Gerald McKee, president of the New York Racing

Association, called this series of misfortunes a "statistical abnormality," and he is almost certainly correct.

Thoroughbreds are delicate, finely tuned running machines, propelling a half-ton of muscle and bone at speeds up to 40 miles per hour (40 kilometers per hour) on narrow legs and ankles. If, for some reason, the animal takes one awkward step or its shock-absorption system fails for even a split-second, even a perfectly sound horse can be lost. It can happen in a \$2,500 claiming race or it can happen in the most famous race in the world. But because Go for Wand's death happened so conspicuously, it is certain to trigger a backlash against the sport.

The members of the animal-rights lobby will cite Go for Wand's death as further evidence that thoroughbred racing is inhumane. Even people who considered themselves racing fans will be soured. That is what happened after the last such visible racing tragedy—the death of Ruffian in 1975. In her book, "Tarnished Crown," Carol Clarke wrote that the great filly's death "cost the momentum of the sport."

Two years earlier, Secretariat's remarkable achievements had gotten people interested in racing again. Her death had told the public that racing wasn't... for those who loved animals; it

was for cool-headed gamblers who could look at horses as numbers or chances in a lottery. "Flake wrote: 'It was not a lesson that mainstream America was interested in learning in such a fashion.'"

It is this mixture of fleeting success and cruel fortune that enables horse racing to stir emotions and accounts for its popularity over centuries. In the spring, as Unbridled roared down the stretch to victory in the Kentucky Derby, millions were touched by the sight of trainer Carl Nafzger clutching the colt's 92-year-old owner, Frances Gentry, and shouting: "We've won the Kentucky Derby, Mrs. Gentry!"

On Saturday, there were the faces of Badgett and his wife Rose, who was Go for Wand's exercise rider, as they watched the filly's final agony. They were clutching each other for support, fighting back tears, disbelieving that an incident that could turn into tragedy so abruptly. Those faces will be the most indelible images from this whole year of racing.

We would love it, of course, if the sport could produce the joy without the pain, let us say Frances Gentry's elation without having to endure the suffering that the filly and the people around her experienced Saturday. But they go inextricably together. It's part of the game.

SCOREBOARD

FOOTBALL

NFL Standings

AMERICAN CONFERENCE			
Team	W	L	T
Buffalo	6	1	0
Miami	6	1	0
N.Y. Jets	5	2	1
Indianapolis	5	2	1
New England	5	2	1
Cincinnati	4	3	1
Houston	4	3	1
Pittsburgh	4	3	1
Cleveland	2	6	0

NATIONAL CONFERENCE			
Team	W	L	T
LA Raiders	6	1	0
Kansas City	4	3	1
Denver	4	3	1
Seattle	4	3	1
San Diego	4	3	1

HOCKEY

NHL Standings

WALE CONFERENCE			
Team	W	L	T
NY Rangers	9	3	1
New Jersey	8	3	1
Philadelphia	7	4	1
Hartford	6	5	1
Pittsburgh	5	6	1
NY Islanders	4	6	2

ADAMS DIVISION			
Team	W	L	T
Boston	4	4	1
Montreal	4	4	1
Hartford	4	4	1
Buffalo	3	5	2
Quebec	3	6	1

SOCCER

SPANISH FIRST DIVISION

Team	W	L	T
Real Madrid	10	0	0
Barcelona	8	1	1
Atletico Madrid	7	2	1
Valencia	6	3	1
Real Sociedad	5	4	1

LIGA DE CAMPEONES			
Team	W	L	T
Real Madrid	3	0	0
Barcelona	2	1	0
Atletico Madrid	2	1	0
Valencia	1	1	1
Real Sociedad	1	1	1

GOLF

PGA TOUR

Player	Score
Greg Norman	64-68-68-68=270
Tommy Lasorda	64-68-68-68=270
Greg Norman	64-68-68-68=270
Tommy Lasorda	64-68-68-68=270

COLLEGE FOOTBALL'S STANDINGS

Atlantic Coast Conference

Team	W	L	T
Duke	8	0	0
Wake Forest	7	1	0
NC State	6	2	0
Virginia Tech	5	3	0

Big Ten Conference			
Team	W	L	T
Michigan	8	0	0
Illinois	7	1	0
Ohio State	6	2	0
Wisconsin	5	3	0

College Football Poll

The Top Twenty Five teams in the Associated Press college football poll with first-place votes in parentheses, ranked through Oct. 29, based on the AP's poll of 1,000 college football coaches.

Rank	Team	First-Place Votes
1	Michigan	14
2	Alabama	13
3	Georgia Tech	12
4	Washington	11
5	Notre Dame	10

Baseball Standings

Major League Standings

American League			
Team	W	L	T
Seattle	10	0	0
California	9	1	0
Oakland	8	2	0
Minnesota	7	3	0

National League			
Team	W	L	T
Los Angeles	10	0	0
San Diego	9	1	0
San Francisco	8	2	0
Atlanta	7	3	0

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